新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Interim Report 2012

Contents

Chairman's Statement

Dear Shareholders,

I am pleased to write my first letter as chairman of the Company. In this letter, I want to give you an update on our business progress during the Reporting Period and to share with you our corporate development for the year ahead. During the Reporting Period, my focus, time and energy, and indeed that of the entire management team, has been on completing the construction of the New Tailings Storage Facility and other mine related infrastructure, and paving the way for our mine's successful operation for many years to come. Meanwhile, we consider bringing the Yanjiazhuang Mine back into operation as early as possible to be our primary and most pressing task. To accomplish this mission, we have been facing severe challenges which will be explained in later paragraphs.

The first half of 2012 was a difficult time of the Group, and the Group recorded a net loss of RMB15.5 million for the Reporting Period, as compared to a net profit of RMB13.8 million for the Corresponding Prior Period. This was mainly attributed to the suspension of iron concentrate production at the Yanjiazhuang Mine during the Reporting Period, pending the New Tailings Storage Facility coming into operation.

In the second half of 2011, there were disputes arising from land expropriation in the surrounding area of the Yanjiazhuang Village, attributing a delay in the construction of the New Tailings Storage Facility and in turn leading to the suspension of iron concentrate production at the Yanjiazhuang Mine. During the Reporting Period, we focused on pursuing the construction of the New Tailings Storage Facility with a view to restore production operations at the Yanjiazhuang Mine within the shortest period of time. Notable progress was made and the New Tailings Storage Facility is now substantially completed.

Unfortunately, when we were about to resume our iron concentrate production, since mid-July 2012, there has been a number of key mid-level management staff and their subordinates at the Yanjiazhuang Mine failing to turn up for work. This has significantly disrupted our progress of restoring the mine production and adversely affected our operation at the Yanjiazhuang Mine. We are currently monitoring its development and doing all we can to have the staff issue resolved in order to bring out recovery of production and normal operations. By doing so, we have decisively dismissed those staff members who had not turned up for work, and we are also attempting to fill up the vacancies as soon as possible. With the dedication of our management team and the strong support from local government and villages, we are optimistic about the restoration of our iron concentrate production in 2012.

Looking ahead, we endeavor to proceed with our three-phase capacity expansion plan, aiming at safeguarding the sustainable development of our iron concentrate business at the Yanjiazhuang Mine.

Reviewing our other business, I am happy to see that we are establishing our First Quarry of gabbro-diabase production with the help of a team of upstanding stone mine experts and were granted the required mining permit during the Reporting Period. After getting the remaining stripping work finished, we shall be actively preparing for starting initial production of gabbro-diabase products at the Yanjiazhuang Mine in 2012. The commercial mining and production of gabbro-diabase products shall play a positive role in spurring our business growth.

Chairman's Statement

At the Board and senior management level, we continue to focus on building a culture of strong corporate governance, fiduciary responsibility and respect for all Shareholders. We take our mission seriously to create long-term value for all our Shareholders, and we strive to create a positive workplace for our employees and develop them to their fullest.

Regretfully, Mr. Yao Zanxun has resigned from his positions as executive Director, chief executive officer and vice-chairman of the Company. Taking this opportunity, I would like to express my sincere gratitude to Mr. Yao for his valuable contributions to the Group, including our successful listing on the Stock Exchange. And, I, jointly with our Board members, would like to wish him every success in all pursuits in future.

In closing, on behalf of the Board, I would like to thank our management team and staff for all their hard work. I would also like to say thank you to our Board, and our investors for their trust and ever-persistent support.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 30 August 2012

Management Discussion and Analysis

Market Review

In the first half of 2012, Mainland China's economy further slowed down, pushing the expected GDP growth rate down to 7.8%. On top of that, lingered by European sovereign-debt crisis and other factors from time to time, the external economic environment constrained the development of the steel sector, which gradually shifted from a sustained short supply to a relatively balanced supply and demand status. The international average market price of iron ores has decreased by about 16% to approximately US$140 per tonne as compared to that prevailing at the end of last year. In the long run, in view of the urbanisation in Mainland China together with the ease of tension in high-speed rail's capital chain as well as the immense potential in construction of environmental protection facilities, Mainland China will face continuous growth in demand for crude steel and iron ores. Yet, Mainland China remains the world's largest crude steel producer and consumer. Due to the quantity and quality attributes associated with the domestic iron ores in the PRC, the output has yet to fulfil the demand of the steel sector, forcing the steel mills to remain hinging on the import of iron ores. During the first half of 2012, Mainland China's iron ore import amounted to approximately 366 million tonnes, an increase of 9.7% compared to that of the corresponding period in previous year. Such increase has slightly outpaced the national economic growth rate.

As the largest steel producing province in Mainland China, Hebei Province has an iron ore output amounting to approximately 229 million tonnes for the first half of 2012, a period-to-period increase of 21.6%, which also accounted for 38.2% of the national iron ore output in Mainland China for the first half of 2012. The total production capacity of iron mines is seeing a rise in Hebei Province.

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. Impacted by the international market, the domestic iron concentrate price declined from RMB1,065 per tonne at the beginning of the year to RMB965 per tonne at the end of the Reporting Period. Despite this, the total output of iron concentrates in Hebei Province, particularly the Hanxing region, has yet to meet the demand of local steel mills, leading the price and demand for iron concentrates to remain at a high level in the PRC market. Thus, it is considered that the market price of the iron concentrates will be stabilised and maintained at a high level in the foreseeable future despite the recent slight decline in their price.

Management Discussion and Analysis

Business and Operation Review

Iron Concentrate Business

With the persistent efforts of the Group in pursuing the construction of the New Tailings Storage Facility since October 2011, the construction of the New Tailings Storage Facility has been substantially completed by the end of the Reporting Period. Despite this, the New Tailings Storage Facility has yet to commence its trial tailings discharge as scheduled and thus, there was no production and sales of iron concentrates at the Group's Yanjiazhuang Mine during the Reporting Period. In the Corresponding Prior Period, the Group produced and sold 36,700 tonnes of iron concentrates, and generated sales revenue of approximately RMB35.4 million.

In early July 2012, the Group submitted its application for trial tailings discharge with the relevant local government authority (the "Safety Authority"), and received a written reply from the Safety Authority stating, amongst others, that the infrastructure and safety measures of the New Tailings Storage Facility have basically been completed. Provided that the remaining construction works are completed smoothly as scheduled, it is expected that the Group would be able to conduct trial tailings discharge and resume iron concentrate production at the Yanjiazhuang Mine by the fourth quarter of 2012, subject to the resolution of the staff issue described below. Towards the end of the trial tailings discharge period, the Company will proceed to apply for a production safety permit for the New Tailings Storage Facility according to the relevant rules and regulations.

While preparing for the upcoming resumption of the iron concentrate production, since mid-July 2012, a number of key mid-level management staff and their subordinates at the Yanjiazhuang Mine have not turned up for work. This has significantly disrupted the progress of restoring the mine production and adversely affected the production volume of iron concentrates of the Group for the FY 2012. In view of the continual suspension of iron concentrate production and the impact of the above staff issue on the mine operations, it is anticipated that the production volume of iron concentrates of the Group for the FY 2012 will not reach the originally envisaged target.

The Group is using its best endeavours to resolve the issue with the support of the local government officials as soon as practicable in order to resume the production of iron concentrates at the Yanjiazhuang Mine. Meanwhile, the Group has decisively terminated the employment relationship with certain staff members who had not turned up for work. The Group is also actively exploring viable solutions with relevant parties in the hope that the vacancies can be filled up and the production of iron concentrates will be resumed as soon as possible. Further update on this issue will be made by the Company as and when appropriate.

Business and Operation Review *(Continued)*

Gabbro-Diabase Business

In the first half of 2012, the access to the First Quarry has been substantially completed, and the infrastructural stripping works in the First Quarry has also been in full swing during the Reporting Period with a view to establish a production platform over the area. The First Quarry has already been well established as a quarry prototype, with the remaining stripping works moving forward to commence mining production. On the other hand, in order to achieve and enhance the extraction technologies brought by a combination of more professional planning and exploitation of gabbro-diabase products, the Group entered into a technical consultancy contract with a Beijing-based stone mine specialty advisor in the PRC in May 2012. The advisor has a team of reputable stone mine experts who provides the Company with technical supports and consultancy guidance in respect of the Group's gabbro-diabase mining plan. At the moment, the advisor is assisting the Group to revise the mining plan for the First Quarry.

As there has been no commercial production during the Reporting Period, except for the Group's participation in the stone-trade fairs held in Xiamen and Zhengzhou, the PRC, in the first half of 2012, there was no sale of gabbro-diabase products. At the trade fairs, the Group displayed a variety of gabbro-diabase products that received well recognition from the same industry, which provides valuable benchmark and basis to brand positioning.

As a result of the continual efforts of the Group to follow up with the relevant government authority, the mining permit regarding the gabbro-diabase resources at the Yanjiazhuang Mine has been received by the Group. Such mining permit is valid until 26 July 2017.

Capital Expenditure

During the Reporting Period, the Group's capital expenditure, including tangible and intangible assets, amounted to approximately RMB83.0 million, mainly representing the construction of New Tailings Storage Facility and the mining right for mining of gabbro-diabase resources at the Yanjiazhuang Mine.

Iron Concentrate Capacity Expansion Plan — Phase Two and Phase Three

Phase Two expansion plan commenced in September 2010. These improvements are designed with an aim to enhance the Group's mining and ore processing capacity, and iron concentrate production capacity.

At the end of the Reporting Period, the site preparation for a dry magnetic cobbing system (namely No. 3 Dry Magnetic Cobbing System) was completed, and the core machinery was in place. Last year, due to the disputes arising from land expropriation in the surrounding areas of Yanjiazhuang Village, the system construction was forced to suspend. Furthermore, the construction of the supporting facilities to No. 3 processing facility was completed, and accordingly the Group is planning for a comprehensive commissioning when the water supply and electricity systems are ready as discussed below.

Capital Expenditure *(Continued)*

Iron Concentrate Capacity Expansion Plan — Phase Two and Phase Three *(Continued)*

In addition, to cope with the enhanced capacity in Phase Two expansion plan as well as to mitigate the impacts brought by droughts on the production at the Yanjiazhuang Mine, the Group has constructed a water pipeline with a length of 20 km, which connects 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"). Although a majority of the construction works for the Water Supply System had been completed, the outstanding works remained suspended during the Reporting Period due to the land expropriation disputes in the surrounding areas of Yanjiazhuang Village. Moreover, the construction of a 35,000 KVA electricity transformer substation and the electricity wiring have been completed as a condition of power transmission. Through support from local government and villages, the Group will continue to drive the remaining infrastructure construction. The successful accomplishment of Phase Two expansion plan will consolidate and bolster the development of the Group's iron concentrate business.

Finally, the Group will proactively refine and implement the Phase Three expansion plan, modify the same with the current development of the Yanjiazhuang Mine, and strive for its completion.

Gabbro-Diabase Processing Facility

Regarding the development of gabbro-diabase business, the Group has a parcel of land of 50mu (approximately 33,333 sq m) in the Lincheng County Industrial Park located in Hebei Province, which can be used for building a gabbro-diabase processing plant. The site formation works and plant construction design were completed in the prior year. The Group is in the process of arranging plant construction and sourcing of equipments in line with the production progress of gabbro-diabase quarry stones, in order to lay a good foundation for future production of gabbro-diabase slabs, carving stones and other products on a commercial scale.

Resources Exploration and Identification of New Resources

The Group has engaged the No.11 Geological Brigade of Hebei Bureau of Geological Exploration of the PRC (the "No. 11 Geological Brigade") to carry out exploration works on two iron mines, namely Gangxi Mine located in Lincheng County, Hebei Province, the PRC and Shangzhengxi Mine located adjacent to Shahe City, Hebei Province, the PRC, with permitted exploration areas covering 5.28 km^2 and 2.06 km^2 respectively. To allow ample time for the transfer of exploration rights and carrying out geological studies of the two mines by the No.11 Geological Brigade, the Group and the No.11 Geological Brigade agreed on 24 February 2012 to extend the term of the contract to 26 August 2013.

In addition, the Group will continue to identify and evaluate opportunities for acquisition and merger of other resources. The Group also believes that it is beneficial for the Group to further expand the mining reserves and resources.

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

Management Discussion and Analysis

Iron Ore Resources and Reserves

During the Reporting Period, the Group temporarily ceased its mining production at the Yanjiazhuang Mine and there were no significant changes in the Group's mineral resources and ore reserves prepared under the JORC Code as at 30 June 2012 as compared to that disclosed in the Company's annual report for the year ended 31 December 2011.

Gabbro-Diabase Resources

During the Reporting Period, the Group received a mining permit for gabbro-diabase resources mining up to 26 July 2017, with the estimated ore reserves of 15.8 million cubic metres. As at 30 June 2012 and 31 December 2011, the gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code. The production of gabbro-diabase resources has yet to commence as at 30 June 2012.

Production Safety and Environmental Protection

The Group has been focusing its attention highly on production safety and environmental protection. 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 the Reporting Period, the Yanjiazhuang Mine had no record of significant safety incident.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the Reporting Period (Nil for the Corresponding Prior Period).

Financial Review

The Group's iron concentrate production at the Yanjiazhuang Mine was temporarily ceased during the Reporting Period, pending for the construction of the New Tailings Storage Facility. As a result, the Group did not record any revenue for the Reporting Period, as compared to revenue of approximately RMB35.4 million for the Corresponding Prior Period. During the Corresponding Prior Period, the Group produced and sold 36,700 tonnes of iron concentrates at an average selling price of approximately RMB965 per tonne (net of value-added tax and other surtaxes).

The net loss for the Reporting Period was approximately RMB15.5 million, as compared to a net profit of approximately RMB13.8 million for the Corresponding Prior Period. The loss attributable to owners of the Company amounted to approximately RMB15.4 million (profit of approximately RMB13.6 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.39 cent (basic and diluted earnings per share of approximately RMB0.43 cent for the Corresponding Prior Period).

Financial Review *(Continued)*

Revenue

The Group's iron concentrate production at the Yanjiazhuang Mine was temporarily ceased during the Reporting Period, pending for the construction of the New Tailings Storage Facility. As a result, the Group did not record any revenue for the Reporting Period. During the Corresponding Prior Period, the Group recorded revenue of approximately RMB35.4 million following the commencement of commercial iron concentrate production from 1 January 2011 in accordance with Phase One expansion plan.

Cost of Sales

Cost of sales mainly comprised of contractors' fees incurred from mining and hauling, and expenses in relation to staff, materials, power and other utilities, repairs and maintenance, depreciation and amortisation. The Group's cost of sales for the Reporting Period was nil, as compared to approximately RMB10.7 million for the Corresponding Prior Period which was mainly attributable to the commencement of commercial production during that period.

The cost of sales during the Corresponding Prior Period represented 30.1% of revenue.

Gross Profit and Gross Margin

As a result of the above, the Group recorded nil gross profit for the Reporting Period. For the Corresponding Prior Period, the Group recorded gross profit of approximately RMB24.7 million and gross margin of 69.9%.

Selling and Distribution Costs

During the Reporting Period, the Group did not incur any selling and distribution costs. The selling and distribution costs for the Corresponding Prior Period comprised salaries of sales staff and entertainment expenses, which amounted to RMB0.2 million.

Administrative Expenses

Administrative expenses increased 23.6% to approximately RMB17.8 million during the Reporting Period, as compared to approximately RMB14.4 million for the Corresponding Prior Period. The increase was mainly due to the recognition of production staff costs and overheads directly as administrative expenses during the Reporting Period when the production at the Yanjiazhuang Mine was temporarily ceased, which were recognised as the Group's cost of sales in the Corresponding Prior Period, and the increase in depreciation for the Reporting Period.

Financial Review *(Continued)*

Finance Income

Finance income decreased 37.5% to approximately RMB5.5 million during the Reporting Period, as compared to approximately RMB8.8 million for the Corresponding Prior Period. The decrease was attributed to the recognition of an exchange loss of approximately RMB2.3 million mainly from the HKD denominated bank borrowings and the depreciation of RMB against the HKD during the Reporting Period. As compared to the Corresponding Prior Period, the Group recognised an exchange gain of approximately RMB8.8 million from the USD denominated amount due to the then immediate holding company and the appreciation of RMB against the USD in the Corresponding Prior Period. The effect of the absence of an exchange gain arose from the appreciation of RMB against the USD as recorded in the Corresponding Prior Period was partly offset by the Group's bank interest income of approximately RMB7.8 million derived during the Reporting Period.

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

As a result of the above, the Group's loss and total comprehensive loss for the period amounted to approximately RMB15.5 million during the Reporting Period, as compared to a profit and total comprehensive income for the period of approximately RMB13.8 million in the Corresponding Prior Period.

Property, Plant and Equipment

As at 30 June 2012, the Group's property, plant and equipment had a net book value of approximately RMB702.2 million (approximately RMB670.5 million as at 31 December 2011), which represented an increase of 4.7% during the Reporting Period. The increase was mainly attributable to construction works in progress achieved during the Reporting Period.

The above net book value represents 42.6% of the Group's total assets as at 30 June 2012 (40.9% as at 31 December 2011).

Intangible Assets

During the Reporting Period, with the continual efforts of the Group to follow up with the relevant government authority, the Group received the mining permit regarding the gabbro-diabase resources at the Yanjiazhuang Mine. Such mining permit is valid until 26 July 2017. On this respect, the Group recognised the related mining rights during the Reporting Period, and the Group's intangible assets have been increased by 2,078.3% to approximately RMB50.1 million as at 30 June 2012, as compared to approximately RMB2.3 million as at 31 December 2011.

Financial Review *(Continued)*

Other Payables and Accruals

As at 30 June 2012, the Group's balances of other payables and accruals were approximately RMB85.6 million (approximately RMB102.0 million as at 31 December 2011). The decrease of 16.1% was mainly attributable to the decrease in payables to suppliers or contractors for the Group's addition of items of property, plant and equipment.

Liquidity and Cash and Cash Equivalents

As at 30 June 2012, the Group's cash and cash equivalents amounted to approximately RMB836.6 million (approximately RMB919.4 million as at 31 December 2011), representing 50.8% (56.1% as at 31 December 2011) of the Group's total assets. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB441.2 million as at 30 June 2012 (approximately RMB526.2 million as at 31 December 2011). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.8 as at 30 June 2012 (approximately 1.9 as at 31 December 2011).

During the Reporting Period, net cash of approximately RMB61.2 million (approximately RMB215.7 million for the Corresponding Prior Period) was used for additions of items of property, plant and equipment and intangible assets.

Capital Structure and Gearing Ratio

The Group treats total equity as capital and its gearing ratio is calculated by dividing the net debt position (calculated as total borrowings less cash and cash equivalents) by its capital.

As at 30 June 2012, the amount of capital was approximately RMB1,123.7 million (approximately RMB1,136.2 million as at 31 December 2011).

As at 30 June 2012 and 31 December 2011, as the Group has net cash position of approximately RMB441.2 million and approximately RMB526.2 million, respectively, it is not considered to have any gearing at these dates.

Loans, Indebtedness and Maturity Date

As at 30 June 2012, the Group's HKD denominated bank borrowings amounted to HK$485.0 million (equivalent to approximately RMB395.4 million) (HK$485.0 million, equivalent to approximately RMB393.2 million, as at 31 December 2011). 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 30 June 2012, 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. Except for the Group's HKD denominated bank borrowings and certain cash and cash equivalents, 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 foreign currency rates.

As of 30 June 2012, certain cash and cash equivalents were denominated in HKD and USD and interest-bearing bank borrowings were denominated in HKD. As the RMB fluctuates against HKD and USD in a limited extent during the Reporting Period, the Group had no material adverse exposure to foreign exchange fluctuations during the Reporting Period.

Operating Segment Information

For management purposes, the Group organised its business units based on products and services. The Group has no revenue recognised during the Reporting Period and the loss for the Reporting Period was derived from the "Sale of Iron Concentrates" operating segment. In the Corresponding Prior Period, both the Group's revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates" operating segment. Therefore, there is no presentation of operating segment information.

Furthermore, as the Group's revenue from the external customers (if any) and the majority of the Group's non-current assets are located in Hebei Province, the PRC, in both periods, no geographical information is presented.

Capital Commitments and Contingent Liabilities

Capital Commitments

As at 30 June 2012, the capital commitments of the Group were, in aggregate, approximately RMB807.0 million (approximately RMB840.0 million as at 31 December 2011), as detailed below:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for:		
— Property, plant and equipment	**61,617**	82,798
Authorised, but not contracted for:		
— Property, plant and equipment	**435,335**	447,217
— Resources fees	**310,000**	310,000
	745,335	757,217

Capital Commitments and Contingent Liabilities *(Continued)*

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 and during the Reporting Period, 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 Interim Report 2012.

Events after the Reporting Period

While preparing for the upcoming resumption of the iron concentrate production, since mid-July 2012, a number of key mid-level management staff and their subordinates at the Yanjiazhuang Mine have not turned up for work. This has significantly disrupted the progress of restoring the mine production and adversely affected the production volume of iron concentrates of the Group for the FY 2012. The Group is using its best endeavours to resolve the issue with the support of the local government officials as soon as practicable in order to resume the production of iron concentrates at the Yanjiazhuang Mine. Meanwhile, the Group has decisively terminated the employment relationship with certain staff members who had not turned up for work. The Group is also actively exploring viable solutions with relevant parties in the hope that the vacancies can be filled up and the production of iron concentrates will be resumed as soon as possible.

The Group considers that the above event does not have any significant financial impact to the Interim Report 2012.

Significant Investments, Acquisitions and Disposals

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

Employees and Remuneration Policies

Employees of the Group	30 June 2012
Number of employees	638

Type	Number of employees	Approximate percentage to total number of employees
Production		
Iron ore mining	204	32.0
Iron ore processing	92	14.4
Ancillary mining activities	187	29.3
Management, finance and administrative	100	15.7
Gabbro-diabase business	26	4.1
Others	29	4.5
Total	638	100.0

As at 30 June 2012, the Group had a total of 638 full-time employees (647 full-time employees as at 31 December 2011) 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.

In view of the temporary suspension of iron concentrate production at the Yanjiazhuang Mine and for the purpose of minimising the operating costs, the Group has arranged certain employees at the Yanjiazhuang Mine to take leave in groups. In compliance with the relevant PRC laws and regulations, the Group agreed to pay the upkeep of the basic living of those employees on leave. During their leave, the Group still maintained the employment relationship as before, and requested these employees to report periodically to the Group's human resources department. Furthermore, the Group offered training programs to these employees from time to time so that they could return to their posts at any time when the iron concentrate production could be resumed.

However, since mid-July of 2012, a number of key mid-level management staff and their subordinates from the Yanjiazhuang Mine have not turned up for work. Meanwhile, the Group has decisively terminated the employment relationship with certain staff members who had not turned up for work. The Group is adopting affirmative actions, including recruitment of professional technical staff to fill up the vacancies promptly to restore iron concentrate production.

Management Discussion and Analysis

Use of Net Proceeds from the Listing

The Group was listed on the Stock Exchange on 4 July 2011 (the "Listing") and raised net proceeds of approximately RMB1,052 million. The net proceeds raised from the Listing, as allocated according to the basis set out in the prospectus of the Company dated 21 June 2011 in connection with the Listing, will be applied to fund the three-phase expansion plan of the Yanjiazhuang Mine, payment of resources fees, exploration and acquisition activities, development of gabbro-diabase business, repayment of the shareholders' loans and working capital.

		Net proceeds from the Listing	
	Allocation basis %	**Available to utilise RMB' million**	Utilised (up to 30 June 2012) RMB' million (Unaudited)
Three-phase expansion plan of the Yanjiazhuang Mine	35	**368**	118
Payment of resources fees	9	**95**	—
Exploration and acquisition activities	17	**179**	—
Development of gabbro-diabase business	26	**273**	49
Repayment of shareholders' loans	10	**105**	105
Working capital	3	**32**	26
	100	**1,052**	298

Management Discussion and Analysis

Outlook and Future Plans

For the second half of 2012, it is expected that although the growth in steel sector is constrained by the PRC's macro-economic control as well as a slowdown in economic growth, the enormous demand for iron ores as a bulk commodity shall be maintained, and thus the price of iron ores could remain relatively stable. The Group anticipates that such demand and price trend may depend on the pace of Mainland China's rapid urbanisation coupled with high-speed rail's easing its capital chain tension and persistent progress, the government's drive for subsidised housing, and expected trends towards relatively lax future macro-economic policies of the PRC government.

The Group is expected to conduct trial tailings discharge with the New Tailings Storage Facility by the fourth quarter of 2012, and then resume the production of iron concentrates at the Yanjiazhuang Mine. During the period of trial tailings discharge, the Group will first run the No.1 dry magnetic cobbing system and the No.1 processing facility. In view of the continual suspension of iron concentrate production at the Yanjiazhuang Mine and the impact of the abovementioned staff issue on the mine operations, the production volume of iron concentrates of the Group for the FY 2012 will not reach the originally envisaged target. The Group expects that the production capacity of the expansion plans shall be gradually achieved upon the expiry of trial tailings discharge period of the New Tailings Storage Facility and the granting of a safety production permit by the Safety Authority.

The Group will also continue to devote every effort to proceed with the development of its three-phase capacity expansion plan at the Yanjiazhuang Mine, among others, including the construction and commissioning of Water Supply System and electricity system, which will help to secure water and electricity supplies for the Group's production in the long run. With the assistance of the government and the support of villages, the Group strives to finish the construction of the last few kilometres water pipeline for its Water Supply System and to accomplish the remaining examination and approval procedures for its electricity system, with a view to start a comprehensive commissioning of the No.3 processing facility and its ancillary systems with stable water and electricity supplies.

Through active discussions with local government and villages in the future, the Group expects to be able to reach agreements on the land expropriation work, ensuring the continual production and safeguarding the sustainable development of its business at the Yanjiazhuang Mine.

The Group has obtained a mining permit to conduct mining of gabbro-diabase resources. Its commercial production shall be commenced by the fourth quarter of 2012. The commercial mining and production of gabbro-diabase products shall play a positive role in spurring the business growth of the Group with an aim to yield better returns in the long run.

Looking forward, the Group expects that the Yanjiazhuang Mine could resume the production of iron concentrates by the fourth quarter of 2012 upon overcoming the current challenges. Coupled with the production of gabbro-diabase products, this will sharpen the Group's competitive edge and optimise its returns for the Shareholders.

Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 18 to 32, which comprise the condensed consolidated statement of financial position of Newton Resources Ltd (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong

30 August 2012

Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2012

	Notes	Six-month period ended 30 June 2012 RMB'000 (Unaudited)	2011 RMB'000 (Audited)
Revenue	3	—	35,405
Cost of sales		—	(10,669)
Gross profit		—	24,736
Other income and gains		9	40
Selling and distribution costs		—	(196)
Administrative expenses		(17,765)	(14,386)
Finance income	5	5,505	8,818
(Loss)/profit from operations		(12,251)	19,012
Equity-settled share option expense	18	(3,049)	—
(Loss)/profit before tax	4	(15,300)	19,012
Income tax expense	6	(218)	(5,240)
(Loss)/profit for the period		(15,518)	13,772
Total comprehensive (loss)/income for the period		(15,518)	13,772
Attributable to:			
Owners of the Company		(15,425)	13,626
Non-controlling interests		(93)	146
		(15,518)	13,772
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	8	(0.39)	0.43

Details of dividends are disclosed in note 7 to the condensed consolidated financial information.

Condensed Consolidated Statement of Financial Position

30 June 2012

	Notes	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**702,241**	670,483
Intangible assets	10	**50,088**	2,301
Prepaid land lease payments		**3,660**	3,709
		755,989	676,493
Current assets			
Inventories		**4,615**	4,747
Prepayments, deposits and other receivables	11	**49,425**	37,343
Cash and cash equivalents	12	**836,562**	919,399
		890,602	961,489
Current liabilities			
Trade payables	13	**349**	979
Other payables and accruals	14	**85,555**	102,009
Interest-bearing bank borrowings	15	**395,372**	393,190
Income tax payable		**4,623**	4,443
		485,899	500,621
Net current assets		**404,703**	460,868
Total assets less current liabilities		**1,160,692**	1,137,361
Non-current liabilities			
Long-term payables	16	**36,980**	1,180
Net assets		**1,123,712**	1,136,181
Equity			
Equity attributable to owners of the Company			
Issued capital	17	**331,960**	331,960
Reserves		**789,732**	802,108
		1,121,692	1,134,068
Non-controlling interests		**2,020**	2,113
Total equity		**1,123,712**	1,136,181

Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2012

	Attributable to owners of the Company							
	Issued capital RMB'000 note 17	Share premium account RMB'000	Capital reserves RMB'000	Share option reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)								
At 1 January 2012	331,960	719,871	80,864	5,743	(4,370)	1,134,068	2,113	1,136,181
Loss for the period	—	—	—	—	(15,425)	(15,425)	(93)	(15,518)
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	(15,425)	(15,425)	(93)	(15,518)
Equity-settled share option arrangements (note 18)	—	—	—	3,049	—	3,049	—	3,049
At 30 June 2012	331,960	719,871	80,864	8,792	(19,795)	1,121,692	2,020	1,123,712
(Audited)								
At 1 January 2011	—	—	40,366	—	(6,619)	33,747	1,325	35,072
Profit for the period	—	—	—	—	13,626	13,626	146	13,772
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	13,626	13,626	146	13,772
Capital injection	—	—	—	—	—	—	665	665
At 30 June 2011	—	—	40,366	—	7,007	47,373	2,136	49,509

Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2012

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash flows used in operating activities	**(16,878)**	(12,249)
Net cash flows used in investing activities	**(61,181)**	(215,730)
Net cash flows (used in)/from financing activities	**(4,634)**	208,660
Net decrease in cash and cash equivalents	**(82,693)**	(19,319)
Cash and cash equivalents at beginning of period	**919,399**	55,934
Effect of foreign exchange rate changes, net	**(144)**	(857)
Cash and cash equivalents at end of period	**836,562**	35,758

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2012

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.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries include mining, ore processing and sale of iron concentrates.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The unaudited condensed consolidated interim financial information for the six-month period ended 30 June 2012 (the "Interim Financial Information") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2011.

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of new accounting standards and interpretations (which includes all new International Financial Reporting Standards, IASs and Interpretations issued by the International Accounting Standards Board, collectively the "IFRSs") that are relevant and first effective for the current accounting period of the Company, as summarised below:

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*
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets*
IAS 12 Amendments	*Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of the above amendments to IFRSs did not have any significant effect on the amounts reported and/or disclosures set out in the Interim Financial Information.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. Revenue and Operating Segment Information

Revenue represented the net invoiced value of goods sold, net of trade discounts and returns and various types of government surcharges, where applicable.

Operating Segment Information

For management purposes, the Group organised its business units based on products and services. The Group has no revenue recognised during the period and the loss for the period was derived from the "Sale of Iron Concentrates" operating segment. In the prior period, both the Group's revenue and profit were derived from one segment only, namely "Sale of Iron Concentrates" operating segment. Therefore, there is no presentation of operating segment information.

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

4. (Loss)/Profit before Tax

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

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	**—**	10,669
Depreciation of items of property, plant and equipment	**3,477**	2,682
Amortisation of prepaid land lease payments	**51**	51

5. Finance Income

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

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interest on bank borrowings	**4,931**	1,892
Less: Interest capitalised	**(4,931)**	(1,892)
	—	—
Interest income	**7,846**	46
Bank charges	**(15)**	(12)
Net foreign exchange (losses)/gains	**(2,326)**	8,784
Finance income, net	**5,505**	8,818

To the extent that funds are borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 2.52% has been applied to the expenditure on the assets during the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: 1.88%).

6. Income Tax Expense

The provision for PRC corporate income tax ("CIT") is based on the CIT rate applicable to the companies located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month periods ended 30 June 2012 and 2011.

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the six-month periods ended 30 June 2012 and 2011.

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current tax — Mainland China		
Charge for the period	**218**	5,240

7. Dividend

The Board does not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: nil).

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

The calculation of basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 (six-month period ended 30 June 2011: approximately 3,200,000,000 as adjusted to reflect the capitalisation issue of 3,199,998,999 shares completed in 2011) in issue during the period.

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

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
(Loss)/Earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(15,425)**	13,626
Shares	**'000**	'000
Weighted average number of ordinary shares in issue during the period used in the basic and diluted (loss)/earnings per share calculation	**4,000,000**	3,200,000

The pre-IPO share options of the Company (note 18(a)) had an anti-dilutive effect on the basic loss per share amount for the six-month period ended 30 June 2012 and were ignored in the calculation of diluted loss per share.

No adjustment has been made to the basic earnings per share amount presented for the prior period as the pre-IPO share options granted during that period were contingent on the completion of the listing of the Company's shares on the Stock Exchange, subsequent to 30 June 2011, which therefore have no dilutive effect for the prior period.

9. Property, Plant and Equipment

During the six-month period ended 30 June 2012, the Group's addition of items of property, plant and equipment with an aggregate cost amounted to approximately RMB35,235,000 (six-month period ended 30 June 2011: RMB197,365,000), mainly representing the increase in the Group's construction in progress. No property, plant and equipment was disposed of during the six-month periods ended 30 June 2012 and 2011.

10. Intangible Assets

The Group's intangible assets represent mining rights for the mining of iron ore reserves and gabbro-diabase resources at the Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The mining permit is valid until 26 July 2017.

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Cost:		
At 1 January	**2,301**	2,301
Additions	**47,787**	—
At end of the period/year	**50,088**	2,301
Accumulated amortisation:		
At 1 January and at end of the period/year	**—**	—
Net carrying amount:		
At end of the period/year	**50,088**	2,301

11. Prepayments, Deposits and Other Receivables

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

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Advances to suppliers	**26,294**	21,810
Other tax receivables	**13,060**	10,864
Deposits	**3,073**	3,052
Prepaid land lease payments, current portion	**101**	103
Advances to employees	**852**	581
Bank interest receivables	**2,437**	—
Prepayments	**3,045**	—
Others	**563**	933
	49,425	37,343

12. Cash and Cash Equivalents

The Group's cash and cash equivalents are mainly time deposits and denominated in Renminbi as at 30 June 2012 and 31 December 2011.

13. 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:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within 6 months	**189**	707
6 months to 1 year	**3**	272
Over 1 year	**157**	—
	349	979

14. 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 RMB64,069,000 (31 December 2011: RMB75,465,000).

15. Interest-Bearing Bank Borrowings

	30 June 2012		31 December 2011	
	Effective interest rate (%)	**RMB'000 (Unaudited)**	Effective interest rate (%)	RMB'000 (Audited)
Current				
Bank borrowings unsecured and repayable on demand	**2.38-2.40**	**395,372**	1.25-2.75	393,190

All bank borrowings are denominated in Hong Kong dollars.

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

16. Long-Term Payables

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Gabbro-diabase resources fees payable	35,800	—
Compensation payables to farmers	1,180	1,180
	36,980	1,180

The gabbro-diabase resources fees payable represents the remaining instalments of resources fees payable in 2013 to 2017 regarding the mining permit received during the six-month period ended 30 June 2012.

17. Issued Capital

Shares

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	1,000,000	1,000,000

	RMB'000 (Unaudited)	RMB'000 (Audited)
Issued and fully paid:		
4,000,000,000 (2011: 4,000,000,000) ordinary shares of HK$0.1 each, totally HK$400,000,000	331,960	331,960

Share options

Details of the Company's share option schemes are included in note 18 to the Interim Financial Information.

18. 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") approved on 25 January 2011, and the grant was completed on 28 January 2011.

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

	Number of options '000 (Unaudited)
At 1 January 2012	131,900
Lapsed during the period	(9,200)
At 30 June 2012	122,700

In respect of these pre-IPO share options of the Company, the Group recognised a share option expense of RMB3,049,000 during the six-month period ended 30 June 2012 (six-month period ended 30 June 2011: nil).

At the end of the reporting period and at the date of approval of the Interim Financial Information, the Company had 122,700,000 and 103,500,000 pre-IPO share options, respectively, outstanding under the Pre-IPO Share Option Scheme, which represented approximately 3.1% and 2.6% of the Company's shares in issue as at the respective dates.

(b) 2010 share option scheme

The Company also operates a share option scheme, approved on 9 April 2010 (the "2010 Share Option Scheme"). No share option has been granted under the 2010 Share Option Scheme during the period.

19. Operating Lease Arrangements

As lessee

The Group leases certain of its office premises under operating lease arrangements, with leases negotiated for a three-year term, and all terms will be renegotiated upon expiry.

The Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Within one year	**2,429**	2,557
In the second to fifth years, inclusive	**1,369**	2,725
	3,798	5,282

20. Commitments

In addition to the operating lease commitments detailed in note 19 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 RMB'000 (Unaudited)	31 December 2011 RMB'000 (Audited)
Contracted, but not provided for:		
— Property, plant and equipment	**61,617**	82,798
Authorised, but not contracted for:		
— Property, plant and equipment	**435,335**	447,217
— Resources fees	**310,000**	310,000
	745,335	757,217

21. Related Party Transactions

In addition to the transactions detailed elsewhere in the Interim Financial Information, the Group had the following transactions with related parties during the period:

(a) Related party transactions

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Leasing of office premises from a wholly-owned subsidiary of a substantial shareholder of the Company		
New World Tower Company Limited	**928**	953
Net repayment to the then immediate holding company		
Faithful Boom Investments Limited	**—**	186,768

(b) Compensation of key management personnel

	Six-month period ended 30 June	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Fees	**508**	348
Salaries, bonuses, allowances and benefits in kind	**2,140**	2,234
Equity-settled share option expense	**795**	—
	3,443	2,582

22. Contingent Liabilities

On 9 March 2010, Venca Investments Limited, a subsidiary of the Company, entered into an agreement with Jet Bright Limited ("Jet Bright"), its wholly-owned subsidiary, to transfer its entire 99% equity interest in Lincheng Xingye Mineral Resources Co., Ltd 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.

In December 2010, the Group submitted an application to the relevant tax bureaus for confirmation that the abovementioned transfer qualifies for special tax treatment. In November 2011 and during the six-month period ended 30 June 2012, the Group submitted further 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.

23. Events after the Reporting Period

While preparing for the upcoming resumption of the iron concentrate production, since mid-July 2012, a number of key mid-level management staff and their subordinates at the Yanjiazhuang Mine have not turned up for work. This has significantly disrupted the progress of restoring the mine production and adversely affected the production volume of iron concentrates of the Group for the financial year ending 31 December 2012. The Group is using its best endeavours to resolve the issue with the support of the local government officials as soon as practicable in order to resume the production of iron concentrates at the Yanjiazhuang Mine. Meanwhile, the Group has decisively terminated the employment relationship with certain staff members who had not turned up for work. The Group is also actively exploring viable solutions with relevant parties in the hope that the vacancies can be filled up and the production of iron concentrates will be resumed as soon as possible.

The Group considers that the above event does not have any significant financial impact to the Interim Financial Information.

24. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 30 August 2012.

Other Information

Corporate Governance Practices

The CG Code, the new edition of the Code on Corporate Governance Practices, is applicable to financial reports covering a period after 1 April 2012. As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable new Code Provisions and, where appropriate, new Recommended Best Practices as set out in the CG Code as well as those of the former Code on Corporate Governance Practice as set out in the then Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the Code on Corporate Governance Practices for the period from 1 January 2012 to 31 March 2012 and the CG Code for the period from 1 April 2012 to 30 June 2012, except for the Code Provision A.6.7 of the CG Code as noted hereunder.

Mr. Cheng Chi Ming, Brian, a non-executive Director, was unable to attend the AGM held on 23 May 2012 (the "2012 AGM") as provided for in Code Provision A.6.7 of the CG Code due to prior business commitments. Mr. Tsui King Fai, an independent non-executive Director, was unable to attend the 2012 AGM as he was absent from Hong Kong on that day.

In accordance with Code Provision A.6.4 of the CG Code, the Company has also established written guidelines, 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.

At the 2012 AGM, the Shareholders approved the Board's proposal to amend the Company's Articles, which were related to (i) the minimum number of independent non-executive Directors, (ii) the prohibition on Director to vote on a resolution in which such Director has an interest; (iii) the requirement to hold a physical board meeting for considering a matter of conflicting interest; (iv) the exemption of procedural and administrative matters from voting by poll; and (v) other minor housekeeping changes. The revised Articles are available on the website of the Company.

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.

Further information of the Company's corporate governance practices can be found in the "Corporate Governance" section under "Investor Relations" on the Company's website.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, the Directors have confirmed their compliance with the required standard set out in the Model Code during the Reporting Period.

Other Information

Changes in Directors' Information

Changes in Directors' information since the date of the 2011 annual report of the Company are set out below:

1. Mr. Tsang Yam Pui retired as a non-executive Director and the chairman of the Board effective from the conclusion of the 2012 AGM and accordingly ceased to be a member of each of the nomination committee and remuneration committee of the Company with effect from 23 May 2012.

2. At the 2012 AGM, Dr. Cheng Kar Shun was elected as non-executive Director and the chairman of the Board by Shareholders for a term of 3 years from 23 May 2012 until the conclusion of the AGM to be held in 2015.

3. Mr. Lee Kwan Hung, an independent non-executive Director, was appointed as an independent non-executive director of China BlueChemical Ltd. (stock code: 3983) on 5 June 2012, and resigned as an independent non-executive director of New Universe International Group Limited (stock code: 8068) on 18 July 2012.

4. Mr. Yao Zanxun resigned as an executive Director, chief executive officer, vice-chairman and one of the authorised representatives of the Company on 30 August 2012.

5. Mr. Jiao Ying was appointed as an executive Director and one of the authorised representatives of the Company on 30 August 2012.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The other directorships held by each Director in the last three years in listed public companies are updated in each Director's biography on the website of the Company. The updated member lists of the Board and of the various committees are also available on the Company's website.

Audit Committee

The audit committee of the Company (the "Audit Committee") was established in accordance with requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. All of the Audit Committee members are appointed from the three independent non-executive Directors, namely Mr. Tsui King Fai (chairman), Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny, having appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and experience in legal, business and financial matters. The Audit Committee has reviewed with the management of the Company the unaudited condensed consolidated interim financial information of the Group for the Reporting Period, the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters. In addition, the Company's auditors, Messrs. Ernst & Young has reviewed the unaudited condensed consolidated interim financial information of the Group for the Reporting Period.

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

As at 30 June 2012, the interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as 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 were as follows:

Long Positions in Underlying Shares — Share Options

During the Reporting Period, some Directors have interests in the share options of the Company. Details of such interests and movement of the share options granted under the Pre-IPO Share Option Scheme (defined hereafter) are shown below:

			Number of share options					
Name	**Date of grant**	**Exercisable period** (Note)	**Balance as at 01.01.12**	**Exercised during the period[2]**	**Adjusted during the period**	**Lapsed during the period**	**Balance as at 30.06.12**	**Exercise price per share** HK$
Executive Directors								
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
Liu Yongxin	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Lin Zeshun	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Jing Zhiqing[4]	28 January 2011	(1)	4,000,000	—	—	4,000,000	—	1.75
Yao Zanxun[5]	28 January 2011	(1)	8,000,000	—	—	—	8,000,000	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
			32,800,000	—	—	4,000,000	28,800,000	

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures *(Continued)*

Long Positions in Underlying Shares — Share Options *(Continued)*

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) No share option of the Company was exercised by the Directors during the Reporting Period.

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

(4) Mr. Jing Zhiqing resigned as an executive Director on 29 February 2012.

(5) Mr. Yao Zanxun resigned as an executive Director on 30 August 2012.

Save as disclosed above, as at 30 June 2012, 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

The Company adopted two share option schemes, one on 9 April 2010 (the "2010 Share Option Scheme") and one on 25 January 2011 (the "Pre-IPO Share Option Scheme"). No share option was granted under the 2010 Share Option Scheme since its adoption. The Pre-IPO Share Option Scheme, which was adopted by the Company on 25 January 2011, expired on 23 February 2011. The share options granted under the Pre-IPO Share Option Scheme prior to its expiry shall continue to be valid and exercisable in accordance with the terms and conditions as stipulated therein. During the Reporting Period, movements of the share options granted under the Pre-IPO Share Option Scheme are as follows:

(i) Share Option Movement of Directors

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

Share Option Schemes *(Continued)*

(ii) Share Option Movement of Senior Management of the Group

Details of movement of the share options granted to the senior management of the Group are as follows:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.01.12	Exercised during the period[2]	Adjusted during the period	Lapsed during the period	Balance as at 30.06.12	Exercise price per share HK$
Jiao Ying[4]	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Zhang Mingliang	28 January 2011	(1)	3,000,000	—	—	—	3,000,000	1.75
Ho Siu Mei	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
			14,000,000	—	—	—	14,000,000	

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) No share option of the Company was exercised by the senior management during the Reporting Period.

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

(4) Mr. Jiao Ying was appointed as an executive Director on 30 August 2012.

Share Option Schemes *(Continued)*

(iii) Share Option Movements of Other Eligible Participants

Details of movements of the share options granted to other eligible participants are as follows:

Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.01.12	Exercised during the period(2)	Adjusted during the period	Lapsed during the period	Balance as at 30.06.12	Exercise price per share HK$
28 January 2011	(1)	85,100,000(4)	—	—	5,200,000	79,900,000	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) No share option of the Company was exercised by the grantees during the Reporting Period.

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

(4) Among the total, an aggregate of 15,300,000 share options held by the then connected persons (has the meaning ascribed to it under the Listing Rules) of the Company during the year ended 31 December 2011.

(5) After the Reporting Period, there was a lapse of 11,200,000 share options as some eligible participants left the Group in August 2012.

Other Information

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

Long Position in Shares

As at 30 June 2012, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executives of the Company) who had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of Shareholder	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 ("CTF Capital")[(3)]	Interest of controlled corporation	1,920,000,000	48.00%
Chow Tai Fook (Holding) Limited ("CTF Holding")[(4)]	Interest of controlled corporation	1,920,000,000	48.00%
Chow Tai Fook Enterprises Limited ("CTF Enterprises")[(5)]	Interest of controlled corporation	1,920,000,000	48.00%
New World Development Company Limited ("NWD")[(6)]	Interest of controlled corporation	1,920,000,000	48.00%
NWS Holdings Limited ("NWS")[(7)]	Interest of controlled corporation	1,920,000,000	48.00%
NWS Resources Limited ("NWS Resources")[(7)]	Interest of controlled corporation	1,920,000,000	48.00%
NWS Mining Limited ("NWS Mining")[(7)]	Interest of controlled corporation	1,920,000,000	48.00%
Modern Global Holdings Limited ("Modern Global")[(7)]	Interest of controlled corporation	1,920,000,000	48.00%
Perfect Move Limited ("Perfect Move")[(7)]	Interest of controlled corporation	1,920,000,000	48.00%
Faithful Boom Investments Limited ("Faithful Boom")[(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 ("VMS")[(8)]	Interest of controlled corporation	1,080,000,000	27.00%
Fast Fortune Holdings Limited ("Fast Fortune")[(8)]	Beneficial interest	1,080,000,000	27.00%
Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong")[(9)]	Interest of controlled corporation	228,570,000	5.71%
Plus All Holdings Limited ("Plus All")[(9)]	Beneficial interest	228,570,000	5.71%

Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares *(Continued)*

Long Position in Shares *(Continued)*

Notes:

(1) Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% 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.

(2) Cheng Yu Tung Family (Holdings II) Limited holds approximately 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 approximately 74.07% direct interest in 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 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 60.73% 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, which holds a 100% direct interest in NWS Mining. NWS Mining holds a 100% interest in Modern Global, which holds a 100% direct interest in Perfect Move. Faithful Boom is a wholly-owned subsidiary of Perfect Move. Therefore, NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move are all deemed to be interested in all the Shares held by or deemed to be interested by Faithful Boom.

(8) Fast Fortune is a subsidiary of VMS. Ms. Mak Siu Hang, Viola holds a 100% direct interest in VMS. Therefore, both 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 is a wholly-owned subsidiary of Shougang Hong Kong. Therefore, Shougang Hong Kong is deemed to be interested in all the Shares held by or deemed to be interested by Plus All.

Save as disclosed above, the Directors are not aware of any persons (other than the Directors or chief executives of the Company) who, as at 30 June 2012, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

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

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

Glossary of Terms

In this interim report, unless the context otherwise requires, the following expressions have the meanings as mentioned below:

General Terms

"AGM"	annual general meeting
"Articles"	the articles of association of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"Company"	Newton Resources Ltd
"Corresponding Prior Period"	the six-month period ended 30 June 2011
"Director(s)"	existing director(s) of the Company
"First Quarry"	the first gabbro-diabase quarry located in Pian Zhai Gou area at the Yanjiazhuang Mine
"FY 2012"	the financial year ending 31 December 2012
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Interim Report 2012"	the interim report of the Company for the six-month period ended 30 June 2012
"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
"Phase One"	the first phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 3,000,000 tpa to produce approximately 760,000 tpa of iron concentrates
"Phase Two"	the second phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 7,000,000 tpa to produce approximately 1,770,000 tpa of iron concentrates
"Phase Three"	the third phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates

Glossary of Terms

General Terms *(Continued)*

"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
"Reporting Period"	the six-month period ended 30 June 2012
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	the 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 Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004, a widely used and internationally recognised code setting out the minimum standards, recommendations and guidelines for public reporting of exploration results, mineral resources and ore reserves
"km"	kilometre(s)
"KVA"	kilovolt-ampere
"km^2"	square km(s)
"sq m"	square metre(s)
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum

Corporate Information

Board of Directors

Executive Directors

Ms. Yu Shuxian
Mr. Jiao Ying
Mr. Li Yuelin
Mr. Lin Zeshun
Mr. Liu Yongxin

Non-executive Directors

Dr. Cheng Kar Shun *(Chairman)*
Mr. Lam Wai Hon, Patrick *(Vice-chairman)*
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. Lam Wai Hon, Patrick

Nomination Committee

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

Company Secretary

Mr. Luk Yue Kan

Registered Office

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

Headquarter and Principal Place of Business in the PRC

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

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

Corporate Information

Auditors

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

Compliance Advisor

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

Stock Code

1231

Share Information

Board lot size: 2000

Investor Information

For more information about the Group,
please contact the Investor Relations Department at

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