新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Annual Report 2012

Contents

Chairman's Statement

Dear Shareholders,

2012 was a humbling year for Newton. Despite steadfast efforts made by our management, issues at the Yanjiazhuang Mine have resulted in a net loss for the Reporting Period. This is disconcerting. Since I took over the role as Chairman earlier this year, I have been working closely with our management to remediate our situation at the Yanjiazhuang Mine which I will elucidate in details later. There are nevertheless spirited note. I am pleased to report that Shougang Hong Kong, our cornerstone investor at time of our initial public offering, has affirmed its confidence in us by increasing its equity stake and becoming our Substantial Shareholder and second largest Shareholder in November 2012. Shougang Hong Kong is a subsidiary of Shougang Corporation, a state-owned enterprise under the direct supervision of the State Council of the PRC and a market leader in China's steel industry. As part of our strategy to augment our undertakings at the Yanjiazhung Mine, we are currently in discussions with Shougang Hong Kong to further explore areas of cooperation and development.

The Group recorded a net loss of approximately RMB35.9 million for the Reporting Period, as compared to a net profit of approximately RMB2.4 million for FY 2011. The loss was a direct result of suspension of production at the Yanjiazhuang Mine during the Reporting Period. This somber outcome warrants elaborations. With respect to our iron ore mining operation, throughout the entire 2012, management's efforts have been focusing on the completion of the New Tailings Storage Facility and laying the ground work for the resumption of production. I am pleased to report that the Group completed the New Tailings Storage Facility and resumed the stripping activities and began trial running of the No.1 dry magnetic cobbing system and the No.1 processing facility at the Yanjiazhuang Mine around the end of November 2012. With trial production underway, our management has been working earnestly with the Safety Authority on the granting of the production safety permit for the New Tailings Storage Facility. Our Phase Two expansion plan has been substantially completed subject to the completion of the No. 3 dry magnetic cobbing system and the last few kilometres of water supply system after resolving the land expropriation issues. Our Phase Three expansion plan also experienced delay pending the overall resolution of land expropriation issues. There have been ongoing negotiations with villager representatives with the support of local government to help resolve this matter. This is a delicate matter involving the welfare of the indigenous population and the environment. My directive to management is to forge ahead to resolve these issues expeditiously, amicably, and equitably. For our gabbro-diabase operation, notwithstanding good progress in the construction of the First Quarry (along with the related infrastructure development) and the granting of the mining permit for mining gabbro-diabase resources in 2012, we have not begun production at the date of this annual report. We are in the process of applying for the remaining production safety permit. Barring any unforeseen situations, our management is targeting to commence production of gabbro-diabase products sometime in 2013.

Suffice to say there remains numerous challenges ahead in implementing our expansion plan for the Yanjiazhuang Mine. I am nevertheless cautiously optimistic about our prospects.

In closing, I would like to express my heartfelt gratitude to our Shareholders for their continuous support, to my fellow Directors for their guidance to the Group, and to our management for their dedication and hard work throughout these trying times.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 27 March 2013

Management Discussion and Analysis

Market Review

In 2012, influenced by the continuous fermentation of the European debt crisis, the adjustment of economic structure and the slowdown in economic growth in Mainland China as well as other factors, the iron and steel industry remained sluggish as a whole and the iron ore prices saw tremendous fluctuations, dropping in the second half of the year and hitting the bottom of the year at about USD100 per tonne at the end of September. Throughout the year, the average price in the iron ore market went down 23.5% to about USD130 per tonne on a year-on-year basis in 2012. The Chinese factors still played a noticeable role in influencing the international iron ore prices. As the Chinese government continued to regulate the real estate sector and slowed down the construction of high-speed railway, the steel demand in the country declined, and the profits in the steel industry went down and underwent substantial reduction of output, thus influencing the upstream iron ore prices. In the fourth quarter, driven by some positive economic factors both at Mainland China and abroad, and that steel enterprises began to increase iron ore inventory, the iron ore prices seemed to stabilise, but still saw a remarkable drop as compared with the climax in 2012.

In addition, as a large steel producing country, China's iron ore demands largely depend on imports, and thus, the demands in the international market will also have a significant impact on the iron ore prices in Mainland China. In 2012, Mainland China imported about 744Mt of iron ores, representing a year-on-year increase of 8.4%. As a province in Mainland China with the largest steel producing and iron ore demand in 2012, Hebei Province achieved about 524Mt in iron ore output, representing a year-on-year decrease of 12.0%, accounting for 40.0% of the country's total production. This is mainly due to the cost conscious measures of steel mills which switched to imports of iron ore, that driven the demand for domestically produced iron ore to decrease. Meanwhile, in 2012, the iron ore imports in Hebei Province increased by 23.1% to about 170Mt.

China's GDP growth in 2012 maintained at a relatively high level of 7.8%. The year 2013 is a crucial year for China to implement the "12th Five-Year" Plan, and the new government is expected to introduce new economic policies to maintain the economic development and push forward the recovery of market confidence.

Management Discussion and Analysis

Business and Operation Review

Iron Concentrate Business

The Group's commercial production of iron concentrates regrettably came to a standstill in 2012.

During the Reporting Period, the Group has been focusing its resources and manpower on the construction and accomplishment of the New Tailings Storage Facility, which has been substantially completed by June 2012. Then, the Group proceeds with the application for trial tailings discharge with the Safety Authority. In the meantime, the Group is following up on further enhancing the safety features of the New Tailings Storage Facility, progress update on trial tailings discharge, and the issuance of a production safety permit by the Safety Authority.

Despite the progress achieved on the construction of New Tailings Storage Facility, a number of mid-level management staff and subordinates in the Yanjiazhuang Mine have not turned up for work since July 2012. This has hindered our schedule to resume the iron concentrate production. The Group has now terminated the employment relationship with these staff members and have been taking prompt recruitment action to fill up the vacancies.

The Group resumed the stripping activities and started commissioning of the No.1 dry magnetic cobbing system and the No.1 processing facility, and trial production of a limited scale at the Yanjiazhuang Mine around the end of November 2012. However, no revenue was recognised for FY 2012. The Group will continue to monitor the progress of trial production and tackle any upcoming challenges, through active communication with relevant authorities and parties, to smooth out its production and operations at the Yanjiazhuang Mine.

Meanwhile, the Group is in the process of applying for a production safety permit for the New Tailings Storage Facility. Once the Safety Authority is satisfied with the conditions for tailings discharge, it will issue a production safety permit to the Group. The Board expects that the mining and iron concentrate production at the Yanjiazhuang Mine will gradually resume to normal thereafter.

In 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%, for the said year.

Currently, the Group has accomplished the Phase One expansion plan. However, the Phase Two and Phase Three expansion plans were regrettably hindered by disputes arising from land expropriation. During FY 2012, the remaining construction projects remain uncompleted. For further details, please refer to the paragraphs headed "Iron Concentrate Business – Phase Two and Phase Three Expansion Plans and Anciliary Constructions" in "Capital Expenditure and Infrastructure Development" section.

Gabbro-Diabase Business

Throughout FY 2012, the Group has been actively preparing for the gabbro-diabase mining at the Yanjiazhuang Mine, and had made good progress in site formation and stripping and preparation works at the First Quarry, and the access road to the First Quarry had been constructed. On the other hand, the Group engaged a Beijing-based stone mining specialty advisor in early 2012, which has a team of reputable stone mining experts, to provide the Group with technical supports and consultancy guidance in respect of the gabbro-diabase mining plan and production. For the gabbro-diabase infrastructure construction carried out during FY 2012, further discussion will be provided in the paragraphs headed "Gabbro-Diabase Business" in "Capital Expenditure and Infrastructure Development" section.

Business and Operation Review *(Continued)*

Gabbro-Diabase Business *(Continued)*

Apart from the mining plan and progress in infrastructure construction, the Group also received the mining and other requisite permits during the year. The Group received a mining permit for diabase resources in June 2012 from Hebei Province Department of Land and Resources and was also granted the business license for the production and sale of diabase products by the domestic Industrial and Commercial Administration Bureau. The Group is currently in the process of applying for a production safety permit from the Safety Authority. The Board anticipates that the Group could commence normal production of gabbro-diabase products sometime in 2013, with the remaining requisite permit issued by the Safety Authority.

From the marketing perspective, the Group has continued to participate in recognised stone industry exhibitions to promote its gabbro-diabase products, aiming to create corporate branding and establish customer network.

As the Group had not yet started the commercial mining and production of gabbro-diabase resources during the Reporting Period, no revenue was recognised for FY 2012.

Capital Expenditure and Infrastructure Development

For FY 2012, the Group has incurred capital expenditure amounting to approximately RMB59.0 million, mainly on construction of the New Tailings Storage Facility and mining infrastructure of the First Quarry at the Yanjiazhaung Mine.

Iron Concentrate Business — Phase Two and Phase Three Expansion Plans and Anciliary Constructions

Despite the challenges and difficulties that we are facing during the year, the Group has continued with the implementation of expansion plan with an aim to enhance the Group's mining and ore processing capacity and the iron concentrate production capacity. Throughout the Reporting Period, the Group has been focusing its resources and manpower on the construction and accomplishment of the New Tailings Storage Facility, which has been substantially completed by June 2012.

Affected by the disputes arising from land expropriation in the surrounding areas of the Yanjiazhuang Mine in the prior year, the Group's construction progress on other Phase Two and Phase Three facilities was hindered. The plant construction and equipment installation for No. 3 processing facility which was substantially completed in 2011 is still awaiting further testing and commissioning when stable power and water supply is available. The Group has also finished the site preparation for No. 3 dry magnetic cobbing system, which is expected to complement the operation of No. 3 processing facility, and the requisition of core machinery were completed. Due to the land expropriation disputes, the scheduled construction has been delayed.

Capital Expenditure and Infrastructure Development *(Continued)*

Iron Concentrate Business — Phase Two and Phase Three Expansion Plans and Anciliary Constructions *(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 been constructing a water pipeline with a length of 20km, which connects to the Lincheng Water Reservoir located in Lincheng County of Hebei Province to secure 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 FY 2012 as affected by the said land expropriation disputes. Moreover, the construction of a 35,000kVA electricity transformer substation and the electricity wiring have been completed and ready for power transmission.

When the iron concentrate production at the Yanjiazhuang Mine has been smoothed out, the Group will further proceed with these constructions so as to cope with the development of the Group's iron concentrate business. Through support from local government and villages, the successful accomplishment of Phase Two expansion plan will consolidate and bolster the development of the Group's iron concentrate business.

The Group will continue to carry out ongoing evaluation of the business development at the Yanjiazhuang Mine and refine the implementation of the expansion plan as and when appropriate.

During FY 2012, the capital expenditure for the iron concentrate business (including the Phase Two and Phase Three expansion plans) amounted to approximately RMB47.4 million.

Gabbro-Diabase Business

In 2012, although the Group has not yet commenced the gabbro-diabase mining and production, the management has already taken out massive preparatory works on related infrastructure and construction, including organising a team of professionals in charge of gabbro-diabase production and mine management, preparing a mining and production plan for gabbro-diabase mine which provide a basis for professional and scientific management of the gabbro-diabase production when operation commences. The Group started the infrastructure works for the First Quarry during FY 2012, with an access road connecting the First Quarry built, the production platform at the First Quarry established, and the necessary machinery and equipment for the exploitation and production purchased. In addition, the preparatory works for other quarries are also in progress, laying solid foundation for the Group to commence gabbro-diabase production as soon as practicable.

Moreover, the Group is currently preparing for the construction of a gabbro-diabase processing plant on a parcel of land of 50mu (approximately 33,333m^2) in Lincheng County Industrial Park located in Lincheng County of Hebei Province. With the completion of the site formation works and plant construction design, the Group will monitor the status and mining progress of gabbro-diabase resources and commence the construction of the gabbro-diabase processing plant when the production has attained a commercial scale.

During FY 2012, the total capital expenditure for the gabbro-diabase business was approximately RMB11.6 million, which was mainly the expenditure incurred for the conduct of infrastructural stripping activities at the First Quarry, construction of roads, and purchase of production equipment.

Management Discussion and Analysis

Iron Ore Resource and Reserve Estimates

As at 31 December 2012, details of the Group's mineral resource and ore reserve estimates under the JORC Code were summarised as below:

Summary of mineral resource

	Percentage of ownership	JORC Mineral Resource Category	As at 31.12.2012 *(Mt)*	Average iron grade TFe *(%)*	As at 31.12.2011 *(Mt)*	Average iron grade TFe *(%)*
Yanjiazhuang Mine	99%	Measured	99.56	22.53	99.56	22.53
		Indicated	211.96	21.03	211.96	21.03
		Total	311.52	21.51	311.52	21.51

Summary of ore reserve

	Percentage of ownership	JORC Ore Reserve Category	As at 31.12.2012 *(Mt)*	Average iron grade TFe *(%)*	As at 31.12.2011 *(Mt)*	Average iron grade TFe *(%)*
Yanjiazhuang Mine	99%	Proved	85.56	21.39	85.56	21.39
		Probable	174.21	19.97	174.21	19.97
		Total	259.77	20.43	259.77	20.43

Mining production activities

The Group resumed the trial production at the Yanjiazhuang Mine and commenced its stripping activities in the mining pit around the end of November 2012. As there was negligible production at the Yanjiazhuang Mine in FY 2012, the mineral resources and ore reserves as at 31 December 2012 are essentially the same as that at 31 December 2011. In FY 2011, the Yanjiazhuang Mine exploited and consumed approximately 240,000 tonnes of iron ores.

Gabbro-Diabase Resource Estimates

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 2012 and 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.

During the Reporting Period, the Group received a mining permit for gabbro-diabase resources, which is valid until 26 July 2017. The mining permit allows the Group to mine the relevant ore resources up to approximately 15.8 million cubic metres. As at 31 December 2012, the mining and production of gabbro-diabase resources had yet to commence.

Gabbro-Diabase Resource Estimates *(Continued)*

For FY 2012, the Group incurred resource fees of approximately RMB47.8 million in relation to the granting of gabbro-diabase mining permit.

Resources Exploration and Identification of New Resources

The Group 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 and Shangzhengxi Mine located adjacent to Shahe City, Hebei Province, 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 reserves and resources. It is believed to be beneficial for the Group to further expand and strengthen the mining reserves and resources in the long run.

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

Production Safety and Environmental Protection

During the trial production, the Group has been focusing its attention highly on production safety and environmental protection. Therefore, the Group established a competent department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group itself into a socially responsible enterprise with high awareness of safety concerns. During FY 2012, the Yanjiazhuang Mine had no record of significant safety incident.

Dividend

The Directors do not recommend the payment of a final dividend in respect of FY 2012 (2011: Nil).

Financial Review

During FY 2012, the Group's production was suspended until the end of November 2012, where the Group has resumed the stripping activities and started the trial production of iron concentrates at the Yanjiazhuang Mine. However, no revenue was recognised for FY 2012, as compared to revenue of approximately RMB45.9 million for FY 2011. In FY 2011, 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 and other surtaxes).

As a result of the suspension of iron concentrate production for most of 2012, the net loss for FY 2012 amounted to approximately RMB35.9 million (2011: net profit of approximately RMB2.4 million). The loss attributable to owners of the Company amounted to approximately RMB35.6 million (2011: profit of approximately RMB2.2 million). The basic and diluted loss per share for FY 2012 was RMB0.89 cent (2011: basic and diluted earnings per share of RMB0.06 cent).

Financial Review *(Continued)*

Revenue

During FY 2012, the Group's production was suspended until the end of November 2012, where the Group has resumed the stripping activities and started the trial production of iron concentrates at the Yanjiazhuang Mine. However, no revenue was recognised for FY 2012. During FY 2011, the Group recorded revenue of approximately RMB45.9 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 FY 2012 was nil as no revenue was recognised, as compared to approximately RMB16.9 million for FY 2011 which was mainly attributable to the commencement of commercial production for the prior year.

The cost of sales during FY 2011 represented 36.8% of revenue.

Gross Profit and Gross Margin

As a result of the above, the Group recorded nil gross profit for FY 2012. For FY 2011, the Group recorded gross profit of approximately RMB29.0 million and gross margin of 63.2%.

Selling and Distribution Costs

During FY 2012, the Group did not incur any selling and distribution costs. The selling and distribution costs for FY 2011 comprised salaries of sales staff and entertainment expenses, which amounted to approximately RMB0.8 million.

Administrative Expenses

Administrative expenses increased by 38.7% to approximately RMB45.9 million during FY 2012, as compared to approximately RMB33.1 million for FY 2011. The increase was mainly due to the recognition of production staff costs and overheads directly as administrative expenses during FY 2012 when the production at the Yanjiazhuang Mine was suspended, which were recognised as the Group's cost of sales in FY 2011.

Finance Income

Finance income decreased by 35.8% to approximately RMB13.8 million during FY 2012, as compared to approximately RMB21.5 million for FY 2011. The decrease was mainly attributable to the absence of foreign exchange gains arising from the appreciation of RMB against HKD and USD during FY 2012.

Income Tax Expense

The income tax expense represented the current year provision for the PRC corporate income tax ("CIT") calculated at the CIT rate applicable to the entities 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 respective years FY 2012 and FY 2011.

The effective tax rate changed from 68% for FY 2011 to -4% for FY 2012, which was mainly attributable to the non-recognition of tax losses of the Group as deferred tax assets. It is considered that it is premature to recognise the deferred tax assets as at 31 December 2012. Further details about the Group's income tax are set out in note 8 to the consolidated financial statements.

Financial Review *(Continued)*

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

As a result of the above, the Group's loss and total comprehensive loss for FY 2012 amounted to approximately RMB35.9 million, as compared to a profit and total comprehensive income for FY 2011 of approximately RMB2.4 million.

Property, Plant and Equipment

As at 31 December 2012, the Group's property, plant and equipment had a net carrying amount of approximately RMB725.2 million (2011: approximately RMB670.5 million), which represented an increase of 8.2% during FY 2012. The increase was mainly attributable to construction works in progress achieved during FY 2012.

The above net carrying amount represents 44.8% of the Group's total assets as at 31 December 2012 (2011: 40.9%).

Intangible Assets

During FY 2012, 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. In this respect, the Group recognised the intangible assets for the related mining rights during FY 2012, and the Group's intangible assets have been increased by 2,078.3% to approximately RMB50.1 million as at 31 December 2012, as compared to approximately RMB2.3 million as at 31 December 2011.

Other Payables and Accruals

As at 31 December 2012, the Group's balances of other payables and accruals were approximately RMB85.9 million (2011: approximately RMB102.0 million). The decrease of 15.8% was mainly attributable to the decrease in payables to suppliers or contractors for the Group's constructions and addition of items of property, plant and equipment.

Liquidity and Cash and Cash Equivalents

As at 31 December 2012, the Group's cash and cash equivalents amounted to approximately RMB793.1 million (2011: approximately RMB919.4 million), representing 49.0% (2011: 56.1%) of total assets. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB399.9 million (2011: approximately RMB526.2 million). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.7 (2011: approximately 1.9).

During FY 2012, the Group paid approximately RMB86.8 million (2011: approximately RMB317.2 million) for constructions or additions of items of property, plant and equipment and intangible assets.

Management Discussion and Analysis

Capital Structure and Gearing Ratio

Gearing ratio of the Group is calculated by dividing its net debt position (calculated as total borrowings less cash and cash equivalents) by its total equity.

As at 31 December 2012, the total equity of the Group amounted to approximately RMB1,103.0 million (2011: approximately RMB1,136.2 million).

As at 31 December 2012 and 2011, as the Group had net cash position of approximately RMB399.9 million and RMB526.2 million, respectively, it is not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2012 and 2011, the Group's bank borrowings remained at HK$485.0 million (equivalent to approximately RMB393.2 million), which are denominated in HKD. The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings is subject to the banks' overriding right of repayment on demand. As at 31 December 2012 and 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. 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 in the foreign currency rates.

As of 31 December 2012, certain cash and cash equivalents were denominated in HKD and USD and the bank borrowings were denominated in HKD. As the RMB fluctuates against HKD and USD in a limited extent during FY 2012, the Group had no material adverse exposure to foreign exchange fluctuations for FY 2012.

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 year and the loss for the year was derived from the "Sale of Iron Concentrates" operating segment. In FY 2011, 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 (where applicable) and the majority of the Group's non-current assets are located in the PRC in both years, no geographical information is presented.

Capital Commitments and Contingent Liabilities

Capital Commitments

As at 31 December 2012, the capital commitments of the Group were, in aggregate, approximately RMB770.6 million (2011: approximately RMB840.0 million), as detailed below:

	2012 RMB'000	2011 RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**59,991**	82,798
Authorised, but not contracted for:		
— Property, plant and equipment	**400,591**	447,217
— Resource fees	**310,000**	310,000
	710,591	757,217

Contingent Liabilities

The Group was exposed to contingent liabilities as a result of the transfer of Venca Investments Limited ("Venca")'s 99% equity interest in Xingye Mining to Jet Bright Limited ("Jet Bright") in 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 prior years, the Group submitted an application and supplementary information to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the Directors believed that the transfer qualifies for special tax treatment and there should be no CIT arising from the transfer, the Group did not make any tax provision for these contingent liabilities.

During FY 2012, the Group reached an understanding with the relevant tax bureaus that the above-mentioned transfer qualifies for the special tax treatment and thus no tax exposure would arise from such transfer.

Event after the Reporting Period

Subsequent to the end of the Reporting Period, in late March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding the construction sum payable arising out of the ordinary course of business of the Group. The Group is currently reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group's legal counsels. Based on the information provided so far, it is not anticipated to have any material adverse impact to the financial position and operations of the Group.

Significant Investments, Acquisitions and Disposals

During FY 2012, the Group had no significant acquisitions and disposals.

Management Discussion and Analysis

Employees and Remuneration Policies

Employees of the Group	**As at 31 December 2012**
Number of employees	**419**

Type	**Number of employees**	**Approximate percentage to the total number of employees**
Production		
Iron ore mining	112	26.7
Iron ore processing	81	19.3
Ancillary mining activities	86	20.5
Management, finance and administrative	113	27.0
Gabbro-diabase business	27	6.5
Total	419	100.0

As at 31 December, 2012 the Group had a total of 419 full-time employees (2011: 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 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 since October 2011, and for the purpose of minimising the operating costs, the Group has arranged certain employees at the Yanjiazhuang Mine to take leave in groups during FY 2012. In compliance with the relevant PRC laws and regulations, the Group paid the upkeep of the basic living of those employees on leave. During their leave, the Group still maintained the employment relationship, and requested these employees to report periodically to the human resources department. Furthermore, training programs are offered to these employees from time to time so that they are ready to return to their posts at any time to meet the production needs.

During FY 2012, a number of mid-level management staff and their subordinates from the Yanjiazhuang Mine have not turned up for work. The Group has terminated the employment relationship with these staff members and has taken prompt recruitment action to fill up the vacancies so as to get ready for resumption of production. The trial production at the Yanjiazhuang Mine has been resumed around the end of November 2012.

Use of Net Proceeds from the Listing

The Group was listed on the Stock Exchange in 2011 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 resource 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 31 December 2012) RMB' million
Three-phase expansion plan of the Yanjiazhuang Mine	35	**368**	132
Payment of resource fees	9	**95**	—
Exploration and acquisition activities	17	**179**	—
Development of gabbro-diabase business	26	**273**	54
Repayment of shareholders' loans	10	**105**	105
Working capital	3	**32**	32
	100	**1,052**	323

Group's Profile and Strategies

The Group owns and operates the Yanjiazhuang Mine, an open-pit iron ore mine located in Hebei Province, the PRC. With the strategic location arising from the close proximity to steel mills and the persistent shortfall in domestically-produced iron ore in Hebei Province, the Yanjiazhuang Mine is well positioned to capture increasing market opportunities.

The Group will continue to monitor the progress of production and tackle any upcoming challenges, through ongoing negotiations with relevant authorities and parties, to smooth out its production and operations at the Yanjiazhuang Mine.

Also, the Group targets to commence the mining and production of gabbro-diabase resources in 2013 to diversify the Group's product portfolio and customer base, which will contribute to the Group's success in the long run.

Apart from the operations, the Group aims to secure and consolidate the steel-making upstream supply chain through merger and acquisition opportunities.

Management Discussion and Analysis

Outlook and Future Plans

There remains great uncertainty in global economic outlook for 2013, but positive signs are emerging. In Mainland China, further economic transformation, infrastructure projects, and the stimulus spending and measures by the PRC government to stablise economic growth will support the demands for iron concentrates and are expected to have a positive impact on helping the iron mines and steel mills to step out of the difficult year 2012. It could be anticipated that the demand for iron concentrates will benefit from capital spending plans including building of roads, subways, and extra spending on railways approved by the PRC government.

During the Reporting Period, the Group completed the New Tailings Storage Facility, and commenced the stripping and mining activities at the Yanjiazhuang Mine. However, the construction of Phase Two and Phase Three expansion plans was still hindered by the disputes arising from land expropriation and other issues. In 2013, the Group anticipates that there could still be a number of uncertainties, issues and challenges that will affect its operating and external environments. As a socially responsible company, the Group will continue to actively communicate with government and villages in an orderly manner according to laws and regulations to resolve future difference, and will continue to devote its every effort to smooth out the external issues and land expropriation disputes as may arise at the Yanjiazhuang Mine. Also, the Group will gradually proceed with the remaining construction of Phase Two expansion plan in 2013 to cope with the development of iron concentrate business and to enhance the iron concentrate production at the Yanjiazhuang Mine as early as we can.

The Group is actively following up with the Safety Authority for the issue of a production safety permit for gabbro-diabase mining, which is anticipated to be granted in 2013. The Board expects that the mining and production of gabbro-diabase resources could be commenced upon the permit is granted, and the gabbro-diabase business will be gradually ramped up to a commercial scale and contribute to the Group's success in the long run.

In November 2012, Shougang Hong Kong became a Substantial Shareholder and the second largest Shareholder of the Company. As part of our strategy to augment our undertakings at the Yanjiazhuang Mine, the Group is currently in discussions with Shougang Hong Kong to further explore areas of cooperation and development, which is believed to bring in positive initiatives for the Group's business development.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2012.

Corporate Governance Practices

The Board believes that good corporate governance practices are important for enhancing corporate value and investors' confidence and interests. The Company has taken a proactive approach in strengthening corporate governance practices in accordance with the needs of the business of the Group. During FY 2012, we adopted corporate governance principles that emphasize a quality Board, effective internal controls, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

The Company has taken various measures to cope with the latest development in the corporate governance regime. The Board has updated its corporate governance principles and practices by adopting the revised Code Provisions contained in the CG Code contained in Appendix 14 of the Listing Rules with effect from 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 (effective from 1 April 2012) as well as those of the former Code on Corporate Governance Practices (effective until 31 March 2012) 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 31 December 2012, except for the Code Provision A.6.7 of the CG Code and those as set out hereunder.

Under Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend AGMs and develop a balanced understanding of the views of shareholders. Due to prior business commitments, a non-executive Director was unable to attend the AGM held on 23 May 2012 (the "2012 AGM") and an independent non-executive Director was not able to attend the 2012 AGM as he had an overseas engagement on that day.

The Company continues to enhance its corporate governance practices appropriate to the conduct and growth of its business, and to review and improve such practices from time to time to ensure that business activities and decision making processes are regulated in a proper and prudent manner in accordance with international best practices.

The Board

Responsibilities

The Board is responsible for the leadership and control of the Group, 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.

The Board *(Continued)*

Board Composition

The Board currently comprises nine Directors, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors. They possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. Biographies of the Directors are set out from pages 34 to 38 of this annual report under the section headed "Directors' and Senior Management's Profile".

The list of Directors (by category) as set out under "Corporate Information" on page 115 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 as such in all corporate communications of the Company pursuant to the Listing Rules.

Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) between each other.

As at the date of this annual report, the Company met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to the requirements of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

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 and sharing of valuable impartial view on matters discussed at Board meetings, taking lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors and independent 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. During FY 2012, the positions of the chairman and chief executive officer were held separately. The role of chairman was held by Mr. Tsang Yam Pui up to his retirement on 23 May 2012 and then by Dr. Cheng Kar Shun since his appointment on 23 May 2013. The role of chief executive officer was held by Mr. Yao Zanxun up to his resignation on 30 August 2012 in order to preserve independence and a balanced judgement of views. Their respective responsibilities are clearly defined and set out in writing.

The Board *(Continued)*

Chairman and Chief Executive Officer *(Continued)*

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. Following the resignation of Mr. Yao, the function of the chief executive officer is divided among the remaining executive Directors.

Appointment, Re-election and Removal of Directors

Each of the Directors (including executive Directors, non-executive Directors and independent 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.

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 comprises four members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, being independent non-executive Directors, and Mr. Lam Wai Hon, Patrick, being a non-executive Director.

The specific written terms of reference of the Nomination Committee, which was revised on 28 March 2012 in light of the amendments of the Listing Rules, is available on the Company's website.

The Board *(Continued)*

Nomination Committee *(Continued)*

Pursuant to the revised terms of reference, the principal duties of the Nomination Committee include the following:

- To review the structure, size and composition of the Board and to make recommendations on any proposed changes to the Board to complement the corporate strategy;

- To identify candidates suitably qualified for appointment as Directors;

- To make recommendations to the Board on appointment or re-appointment of Directors and succession planning for Directors; and

- To assess the independence of independent non-executive Directors.

The Nomination Committee has adopted written nomination criteria, procedure and process for providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. Where vacancy(ies) on the Board exists, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidate(s), the Company's needs and other relevant statutory requirements and regulations. The Human Resources Department of the Company will assist and an external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

The nomination procedures for directors can be accessed from the website of the Company.

During FY 2012, the Nomination Committee had met twice and performed the following major works:

— Recommended the appointment of Dr. Cheng Kar Shun as a non-executive Director and the chairman of the Board, and Mr. Jiao Ying as an executive Director;

— Reviewed and discussed on the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements for the business of the Group and that it is in compliance with the requirements under the Listing Rules;

— Assessed the independence of the independent non-executive Directors;

— Recommended the re-appointment of retiring Directors at the 2012 AGM; and

— Reviewed and recommended to the Board to revise the terms of reference of the Nomination Committee in light of the amendments of the Listing Rules.

In accordance with article 101(3) of the Articles, Mr. Jiao Ying, who has been appointed by the Board as an executive Director with effect from 30 August 2012, will retire at the forthcoming AGM (the "2013 AGM"). In addition, pursuant to articles 106(1) and 106(2) of the Articles, Mr. Li Yuelin, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny will retire from office by rotation at the 2013 AGM. All the above four retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2013 AGM.

The Board *(Continued)*

Nomination Committee *(Continued)*

The Nomination Committee recommended the re-appointment of these four retiring Directors at the 2013 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors pursuant to the Listing Rules requirements.

There were two Nomination Committee meetings held during FY 2012, and the attendance records of the Nomination Committee members are as follows:

Name of Nomination Committee Member	Attendance/ Number of Meetings held during the respective term of services
Mr. Lee Kwan Hung *(Chairman of the Committee)*	2/2
Mr. Tsui King Fai	2/2
Mr. Wu Wai Leung, Danny	2/2
Mr. Tsang Yam Pui *	1/1
Mr. Lam Wai Hon, Patrick	2/2

* Following his retirement on 23 May 2012, Mr. Tsang ceased to be a member of the Nomination Committee.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

— To develop and review the Company's policies and practices on corporate governance;

— To review and monitor the training and continuous professional development of Directors and senior management;

— To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

— To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

— To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Induction and Continuing Development

All Directors have been given a Director's manual with relevant guideline materials regarding, among others, the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group.

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction is normally supplemented with visits to the Group's key mine sites and/or meetings with the senior management of the Company.

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, they are also continually updated with the business and market changes to facilitate the discharge of their responsibilities.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

The Directors confirmed that they have complied with Code Provision A.6.5 of the CG Code which became effective on 1 April 2012 about the Directors' training. Since 1 April 2012, all Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials as detailed below to develop and refresh their knowledge and skills and provided records of training to the Company.

	Type of Continuous Professional Development					
	Topics on Training Covered				Reading Seminar Materials and Updates relating to the latest development of the Listing Rules and other regulatory requirements	Delivering Talks on topics relating to Legal and Regulatory Framework
Name of Director	Corporate Governance	Regulatory Development	Business or Management	Other Relevant Topics		
Non-executive Directors						
Dr. Cheng Kar Shun *(Chairman)* (Note 1)	✓	✓	–	✓	✓	–
Mr. Tsang Yam Pui (Note 2)	✓	✓	–	✓	–	–
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*	✓	✓	✓	✓	✓	–
Mr. Cheng Chi Ming, Brian	–	–	–	–	✓	–
Executive Directors						
Mr. Yao Zanxun (Note 3)	–	–	–	–	–	–
Ms. Yu Shuxian	–	–	–	–	✓	–
Mr. Jiao Ying (Note 4)	–	–	–	–	✓	–
Mr. Li Yuelin	–	–	–	–	✓	–
Mr. Lin Zeshun (Note 5)	–	–	–	–	✓	–
Mr. Liu Yongxin (Note 5)	–	–	–	–	✓	–
Independent Non-executive Directors						
Mr. Tsui King Fai	✓	✓	–	✓	✓	–
Mr. Lee Kwan Hung	✓	✓	–	✓	–	✓
Mr. Wu Wai Leung, Danny	–	–	–	–	✓	–

Notes:

(1) Appointed on 23 May 2012.
(2) Retired on 23 May 2012.
(3) Resigned on 30 August 2012.
(4) Appointed on 30 August 2012.
(5) Resigned on 27 December 2012.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

According to the training records received by the Company, an average of approximately 12 training hours were undertaken by each Director during FY 2012.

Besides, continuing briefings and professional development for Directors will be arranged where necessary.

Board Meetings

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Notice of regular Board meetings is served to all Directors at least 14 days before the meetings. For other Board meetings 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 Group 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 (up to his resignation on 30 August 2012), chief financial officer and other relevant senior management normally attend regular Board meetings and where necessary, other Board meetings and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are 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 a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

Directors' Attendance and Time Commitment

During FY 2012, four regular Board meetings were held for reviewing and approving the financial and operating performance, considering and approving the overall strategies and policies of the Group and other matters.

The Board *(Continued)*

Board Meetings *(Continued)*

Directors' Attendance and Time Commitment *(Continued)*

The attendance records of individual Directors at the following meetings during FY 2012 are as follows:

Name of Director	Attendance/ Number of Meetings held during the respective term of services: Board Meetings	AGM
Non-executive Directors		
Dr. Cheng Kar Shun *(Chairman)* (Note 1)	3/3	0/0
Mr. Tsang Yam Pui (Note 2)	1/1	1/1
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*	4/4	1/1
Mr. Cheng Chi Ming, Brian	4/4	0/1
Executive Directors		
Mr. Yao Zanxun (Note 3)	3/3	1/1
Ms. Yu Shuxian	4/4	1/1
Mr. Jiao Ying (Note 4)	1/1	0/0
Mr. Li Yuelin	4/4	0/1
Mr. Lin Zeshun (Note 5)	2/4	0/1
Mr. Liu Yongxin (Note 5)	4/4	0/1
Mr. Jing Zhiqing (Note 6)	0/0	0/0
Independent Non-executive Directors		
Mr. Tsui King Fai	4/4	0/1
Mr. Lee Kwan Hung	4/4	1/1
Mr. Wu Wai Leung, Danny	4/4	1/1
Total number of meetings held during FY 2012:	**4**	**1**

Notes:

(1) Appointed on 23 May 2012. Since his appointment, no AGM was held.
(2) Retired on 23 May 2012.
(3) Resigned on 30 August 2012.
(4) Appointed on 30 August 2012. Since his appointment, no AGM was held.
(5) Resigned on 27 December 2012.
(6) Resigned on 29 February 2012. During the period from 1 January 2012 to the date of his resignation, no Board meeting and AGM were held.

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 FY 2012. The attendance rate of this meeting was 100%.

The Board *(Continued)*

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2012.

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. Each of the relevant employees has been given a copy of the Code for Securities Transactions by Relevant Employees.

The Company was not aware of any incident of non-compliance with the Code for Securities Transactions by Relevant Employees throughout FY 2012.

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 overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of Shareholders, overseeing the Company's financial performance. All Directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

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 and senior management, 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 senior management, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems. The Board has the full support of the senior management for the discharge of its responsibilities.

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 foregoing senior management.

Delegation of Management Functions *(Continued)*

The Board has established three committees, namely, the Nomination Committee, the Remuneration Committee and the 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 accessed 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 115.

All 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.

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 and the senior management for FY 2012 are set out in note 7 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and comprises four members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai, Mr. Wu Wai Leung, Danny, being independent non-executive Directors, and Mr. Lam Wai Hon, Patrick, being a non-executive Director.

The specific written terms of reference of the Remuneration Committee which was revised on 11 January 2012 in light of the amendments of the Listing Rules, is available on the Company's website. Pursuant to the revised terms of reference, the primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policies and structure of the remuneration of the Directors and senior management, and the 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 Board about these recommendations on remuneration policy and structure and remuneration packages.

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee held three meetings during FY 2012 and the attendance records of its members are as follows:—

Name of Remuneration Committee Member	Attendance/ Number of Meetings held during the respective term of services
Mr. Lee Kwan Hung *(Chairman of the Committee)*	3/3
Mr. Tsui King Fai	3/3
Mr. Wu Wai Leung, Danny	3/3
Mr. Tsang Yam Pui *	2/2
Mr. Lam Wai Hon, Partick	3/3

* Following his retirement on 23 May 2012, Mr. Tsang ceased to be a member of the Remuneration Committee.

A summary of the work performed by the Remuneration Committee during FY 2012 is set out as follows:

— Reviewed the remuneration policy and structure of the Company;

— Reviewed and recommended to the Board on the remuneration packages of directors and senior management of the Group;

— Reviewed and recommended to the Board on the performance-based remuneration and bonus to directors and senior management of the Group;

— Reviewed and recommended to the Board to revise the terms of reference of the Remuneration Committee in light of the amendments of the Listing Rules; and

— Reviewed and recommended to the Board on the remuneration package regarding the appointment of Dr. Cheng Kar Shun as a non-executive Director and the appointment of Mr. Jiao Ying as an executive Director.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Group and other financial disclosures required under the Listing Rules. The management has provided the Board with such explanation and information to enable it to carry out an informed assessment of the financial position of the Company which are put to the Board for approval.

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.

Accountability and Audit *(Continued)*

Directors' Responsibilities for Financial Reporting in respect of Financial Statements *(Continued)*

With effect from 1 April 2012, the management has provided the Board with monthly updates on internal financial statements so as to give the Directors a balanced and understandable assessment of the Company's performance, financial position and prospects.

Internal Control and Risk Management

The Board acknowledges its responsibility in maintaining sound and effective internal controls for the Group to safeguard investments of the shareholders and assets of the Company. 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 system has been established to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

During the Reporting Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the internal control systems of the Group including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function. The Board concluded that in general, the Group's internal control system is effective and adequate.

The Risk Management Department is responsible for reviewing the major operational, financial and compliance and risk management control of the Group on a continuous basis. Risk Management Department schedules its work in an annual audit plan which is reviewed by the Audit Committee annually. The audit plan is derived from risk assessment basis and is aimed at covering key departments in which the Group involves in day-to-day management within a reasonable period.

The Company has in place an integrated framework of internal control which is consistent with the principles outlined in the "Internal Control and Risk Management — A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants. The key control measures are summarised below:

Monitoring

- Ongoing assessment of control systems' performance.
- Internal audits performed periodically by Risk Management Department.

Information and Communication

- Information in sufficient detail is provided to the right person timely.
- Channels of communication developed within the Group and with external parties to ensure information are documented and communicated in a time manner.
- Channels of communication for people to report any suspected improprieties.

Control Activities

- Policies and procedures set to ensure management directives are carried out.
- Control points implanted to safeguard the Group from those identified risks.

Accountability and Audit *(Continued)*

Internal Control and Risk Management *(Continued)*

Risk Assessment

- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Identify material weakness in internal controls on a timely basis.

Control Environment

- Channels to communicate the Company's commitment to integrity and high ethical standards to the staff are established.
- Proper delegation and clear line of reporting, responsibility and accountability within the Group.

Risk Management Department submits internal audit reports half-yearly to the Audit Committee to report the internal audit findings and status update. Management is responsible for ensuring appropriate actions are taken to rectify any control weaknesses highlighted in the internal audit reports within a reasonable period. During the Reporting Period, the Group has not identified any significant control failings or weaknesses, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition.

Risk management is an essential part of corporate governance. Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks. The Group's risk management is the responsibility of every management and embedded in daily operation of every business unit and staff.

Together with the Executive Directors, Risk Management Department performs an assessment of risks that could be involved in the Group's operations half-yearly, and submits a risk assessment report to the Audit Committee. The Board, through the Audit Committee, reviews the risk assessment half-yearly. During the Reporting Period, the Group has been proactively responded to the changes in its business and external environments.

The following policies and procedures are also in place to enhance the internal control system:

1. A whistleblowing policy has been adopted for all employees of the Group to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters to his/her immediate supervisor or department head or to the head of the Risk Management Department who would report the case directly to the Audit Committee for further investigation, if required.

2. The establishment of policy and procedures for setting out the guiding principles, procedures and internal controls for handling and dissemination of inside information in a timely manner. The Group has taken reasonable measures to ensure that all potential inside information is promptly identified and escalated for the attention of a designated senior management team for it to decide on the appropriate timing of disclosure.

3. Policies and practices on compliance with legal and regulatory requirements shall be reviewed and monitored by the Board regularly.

Accountability and Audit *(Continued)*

Audit Committee

The Audit Committee was established on 8 June 2011 and comprises three independent non-executive Directors, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification 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 specific written terms of reference of the Audit Committee, which was revised on 28 March 2012 in light of the amendments of the Listing Rules, is available on the Company's website.

Pursuant to the revised terms of reference, 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 accounting and financial reporting function, internal auditors 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; and
- To oversee the internal control system of the Group and to report to the Board on any material issues, and makes recommendations to the Board.

A summary of work performed by the Audit Committee during FY 2012 is set out as follows:

— Reviewed with the senior management and finance-in-charge and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for FY 2011 and for the six-months ended 30 June 2012 respectively;

— Met with the external auditors and reviewed their work and findings relating to the annual audit for FY 2011 and the effectiveness of the audit process;

— Reviewed with management and finance-in-charge the effectiveness of the internal control system of the Group;

— Conducted annual review of the non-exempt continuing connected transactions of the Group for FY 2011;

— Approved the internal audit plan for FY 2012, reviewed the external auditors' independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditors;

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

— Reviewed and recommended to the Board to revise the terms of reference of the Audit Committee in light of the relevant amendments to the Listing Rules, and recommended to the Board on the adoption of a whistle-blowing policy of the Group;

— Reviewed the financial reporting and compliance procedures and the report from the management on the Company's internal control and risk management systems and processes; and

— Noted the impact of the Group in respect of the amendments to the accounting principles and standards and the development of corporate governance.

The Audit Committee held two meetings during FY 2012 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 of the Committee)*	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 in March 2013 to consider, among others, the Group's annual results and annual report for FY 2012.

External Auditors' Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditors to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standard. Members of the Audit Committee were of the view that the Company's external auditors, Messrs. Ernst & Young, is independent and has recommended the Board to re-appoint it as the Company's auditors at the 2013 AGM. During FY 2012, the external auditors have rendered audit services and certain non-audit services to the Company. The statement about their reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditors' Report" on pages 55 and 56.

Accountability and Audit *(Continued)*

External Auditors' Independence and Remuneration *(Continued)*

A summary of audit services and non-audit services provided by the external auditors for FY 2012 and their corresponding remuneration is set out below:

Category of Services	Fees Paid/Payable RMB'000
Audit Service	
— Interim audit services	720
— Annual audit services	1,420
Non-audit service	
— Tax advisory services	26
Total	2,166

Company Secretary

The company secretary of the Company (the "Company Secretary") is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. During FY 2012, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. His biography is set out on page 39 of this annual report under the section headed "Directors' and Senior Management's Profile".

Constitutional Documents

The Articles were revised on 23 May 2012 by special resolutions in the 2012 AGM in order to ensure compliance with amendments of the Listing Rules, in particular, relevant CG Code provisions in Appendix 14 of the Listing Rules and changes effected by the Companies Law of the Cayman Islands, and to bring the Articles up to date and in line with the current practices in Hong Kong. The details of the amendments to the Articles were set out in the circular of the Company dated 20 April 2012 and the amended and restated memorandum and articles of association of the Company are available on the Company's website.

Communication with Shareholders and Investor Relations

The Company is committed to upholding the highest standards of corporate governance and maintaining effective communication with Shareholders and investors. To this end, the Company makes use of traditional and online platforms such as results announcements and presentations, annual and interim reports, and Shareholders' meetings to reach out to individual Shareholders and stakeholders within the investment community to ensure transparent, timely and accurate dissemination of information.

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 general meetings.

Communication with Shareholders and Investor Relations *(Continued)*

The 2013 AGM is scheduled to be held on 7 June 2013. The notice of AGM will be sent to Shareholders at least 20 clear business days before the AGM.

The Company has investor relations team, led by an executive Director and senior management, to meet existing Shareholders and potential investors, research analysts and investment managers from time to time.

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.

Shareholders' Rights

In accordance with article 68 of the Articles, any two or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward proposals specified in such requisition by the procedures below:

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's principal place of business in Hong Kong at Rooms 1504-05, 15th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong (marked for the attention of the Company Secretarial Department) or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The requisition must include the business to be transacted at the required extraordinary general meeting and must be signed by the Shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be convened within 21 days after the deposit of such requisition subject to the requirements of the relevant Articles and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the Shareholder accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Shareholders' Rights *(Continued)*

For enquiries to the Board, the Shareholder shall contact the Investor Relations Department at the Company's principal place of business in Hong Kong at Rooms 1504-05, 15th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong or by e-mail to ir@newton-resources.com. The Company will endeavour to respond to their queries in a timely manner.

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 Articles, and the poll voting results will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited after the relevant general meeting in accordance with the requirements of the Listing Rules.

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 branch share registrar in Hong Kong.

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

Dr. Cheng Kar Shun GBS
Chairman/Non-executive Director

Dr. Cheng, aged 66, has been appointed as a non-executive Director and the chairman of the Company since 23 May 2012.

He is currently the chairman and executive director of NWD (stock code: 17), NWS (stock code: 659), International Entertainment Corporation (stock code: 1009) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), the chairman and managing director of New World China Land Limited (stock code: 917), the chairman and non-executive director of New World Department Store China Limited (stock code: 825), an independent non-executive director of HKR International Limited (stock code: 480) and a non-executive director of Lifestyle International Holdings Limited (stock code: 1212). Dr. Cheng is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them as well as NWD and NWS are substantial shareholders of the Company. He is also the chairman of New World Hotels (Holdings) Limited.

He is the chairman of the Advisory Council for The Better Hong Kong Foundation and a standing committee member of the Twelfth Chinese People's Political Consultative Conference of the PRC. In 2001, he was awarded a Gold Bauhinia Star by the Government of the HKSAR.

Dr. Cheng is the father of Mr. Cheng Chi Ming, Brian (a non-executive director of the Company and an executive director of NWS).

Mr. Lam Wai Hon, Patrick
Non-executive Director/Vice-Chairman

Mr. Lam, aged 50, has been appointed as a non-executive Director and the vice-chairman of the Company 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 of companies 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 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.

He is a Governor of the Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of Richard Ivey School of Business, Western University, Canada.

Board of Directors *(Continued)*

Mr. Cheng Chi Ming, Brian
Non-executive Director

Mr. Cheng, aged 30, has been appointed as a non-executive Director since 20 May 2011.

Mr. Cheng is presently 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), Wai Kee Holdings Limited (stock code: 610), and the chairman and non-executive director of 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 (the chairman and a non-executive director of the Company, and the chairman and an executive director of NWD and NWS).

Ms. Yu Shuxian
Executive Director

Ms. Yu, aged 65, 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) with a major in industrial and civil construction in 1968 and from Beijing Economics & Management Correspondence Institute (北京經濟管理函授學院) (formerly known as Beijing Economics Correspondence University (北京經濟函授大學)) 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 33 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.

Board of Directors *(Continued)*

Mr. Jiao Ying
Executive Director/Chief Financial Officer

Mr. Jiao, aged 51, has been appointed as an executive Director and one of the authorised representatives of the Company since 30 August 2012. He has been 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. He is currently a director of Jet Bright Limited, Newton Resources Investments Limited, Long Glory Consultancy Limited and Lincheng Xingye Mineral Resources Co., Ltd., subsidiaries of the Company.

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 2001, Mr. Jiao was the financial controller and secretary to the board of directors, of China World Trade Center Company Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600007). From 2001 to 2004, he was the chief financial officer of Zoom Networks (Shenzhen) Co., Ltd. (中太數據通信(深圳)公司). From 2005, he worked as an assistant to the chief executive officer of Tianjin Tianshi Biological Development Co., Ltd., a subsidiary of Tiens Biotech Group (USA), Inc. From 2007 to 2008, he was the chief financial officer of China Shenzhou Mining & Resources, Inc. (symbol: SHZ), a company listed on the American Stock Exchange (now known as NYSE Amex Equities). From 2008 to 2009, he worked as a director and the chief financial officer of Golden Cattle Livestock Breeding Technology Holdings Limited. From 2009 to 2010, he worked as an executive vice-president and the general manager of the financial management department of Anton Oilfield Services Group (stock code: 3337).

Mr. Li Yuelin
Executive Director/Chief Operating Officer

Mr. Li, aged 56, 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 Northeastern University (東北大學) (formerly known as Northeast University of Technology (東北工學院)) and obtained a Bachelor's degree of mining in 1982. He 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 30 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, he 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, he 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, he 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, he became the general manager of Lingqiu County Daling Iron Ore Mine (靈丘縣大靈鐵礦). In September 2005, he 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, he 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, he was the general manager of Handan County Jinyuan Mining Company Limited (邯鄲縣金源礦業有限公司).

Board of Directors *(Continued)*

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 63, 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 currently holds positions in the following companies:—

Name of company	Title
WAG Worldsec Corporate Finance Limited	Director and senior consultant
Lippo Limited (stock code: 226)	Independent non-executive director
Lippo China Resources Limited (stock code: 156)	Independent non-executive director
Hongkong Chinese Limited (stock code: 655)	Independent non-executive director
China Aoyuan Property Group Limited (stock code: 3883)	Independent non-executive director
Vinda International Holdings Limited (stock code: 3331)	Independent non-executive director

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 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 47, 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 currently holds positions in the following listed companies:—

Name of company	Title
Yuexiu REIT Asset Management Limited (stock code: 405)	Independent non-executive director
Embry Holdings Limited (stock code: 1388)	Independent non-executive director
NetDragon Websoft Inc. (stock code: 777)	Independent non-executive director
Asia Cassava Resources Holdings Limited (stock code: 841)	Independent non-executive director
Futong Technology Development Holdings Limited (stock code: 465)	Independent non-executive director
Walker Group Holdings Limited (stock code: 1386)	Independent non-executive director
Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director
Far East Holdings International Limited (stock code: 36)	Independent non-executive director
China BlueChemical Ltd. (stock code: 3983)	Independent non-executive director

Board of Directors *(Continued)*

Mr. Lee Kwan Hung *(Continued)*

Moreover, he was an independent non-executive director of New Universe International Group Limited (stock code: 8068) up to his resignation on 18 July 2012.

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. Wu Wai Leung, Danny

Independent Non-executive Director

Mr. Wu, aged 52, 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.

He 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 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.

Directors' and Senior Management's Profile

Senior Management

Mr. Zhang Mingliang
Deputy General Manager

Mr. Zhang, aged 43, joined the Group in 2010 and is the deputy general manager of the Company and the general manager of Xingye Mining. He is responsible for and oversees the iron concentrate business, land expropriation, government and social relations, infrastructure and construction management, and mine administration of the Group.

Mr. Zhang graduated from Tianjin Foreign Studies University (天津外國語大學) (formerly known as Tianjin Foreign Studies College (天津外國語學院), with a major in English language and culture. He has 12 years of experience in administration and 8 years of experience in business development. He also 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.

Mr. Li Han Kin
General Manager of Investor Relations & Mergers and Acquisitions

Mr. Li, aged 49, joined the Company as the general manager of investor relations & mergers and acquisitions department in January 2013. He holds a bachelor degree in accountancy from California State University, Los Angeles, and a master degree of business administration from Columbia University, New York. He is a certified public accountant with more than 20 years' experience in accounting as well as in commercial and investment banking, and is well versed in both the Asian and international capital markets.

Prior to joining the Group, he was the senior vice president of a dual listed mid-tier mining group with gold operations and gold and uranium prospects across Southern Africa. Prior to that, he was the managing director of an international bank. He had led numerous fund raising exercises in Hong Kong and the United States, including initial public offerings, reverse takeovers and private placement, as well as domestic and cross-border merger and acquisition transactions for Chinese companies.

Mr. Luk Yue Kan
Financial Controller/Company Secretary

Mr. Luk, aged 37, joined the Company in 2011 and is the financial controller and the company secretary of the Company. 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 15 years' experience in auditing, accounting and financial management.

Senior Management *(Continued)*

Ms. Ho Siu Mei

General Manager of Risk Management, Human Resources and Administration Department

Ms. Ho, aged 47, joined the Group in 2010 and is the general manager of risk management, human resources and administration department of the Company. She 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.

Mr. Xu Yongxin

Deputy General Manger of Xingye Mining

Mr. Xu, aged 39, joined the Group in 2011, and is the deputy general manager of Xingye Mining, and is responsible for and oversees the mining, production and operation of iron concentrate business, and strategic planning. He 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 15 years' experience in development and construction of metal mine sites.

Mr. Tang Guilin

Assistant General Manager of Xingye Mining

Mr. Tang, aged 43, joined the Group in February 2012 and is the assistant general manager of Xingye Mining. He is responsible for land expropriation, infrastructure and construction management and development of Xingye Mining. 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. He has over 16 years' experience in mining production management in the industry.

Mr. Li Yuehui

Manager of Gabbro-diabase Mining

Mr. Li, aged 42, joined the Group in 2011 and is the manager of gabbro-diabase mining, 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.

He graduated from the School of Geosciences of the China University of Geosciences, and holds a Bachelor degree in Geosciences. Mr. Li has 12 years' experience in gabbro-diabase mining.

From 1992 to 2010, he 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 this annual report and the audited consolidated financial statements of the Group for FY 2012.

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 15 to the consolidated financial statements.

Results and Appropriations

The results of the Group for FY 2012 and the state of affairs of the Group as at 31 December 2012 are set out in the consolidated financial statements on pages 57 to 110.

The Directors do not recommend the payment of a final dividend for FY 2012 (2011: 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 2012 are set out in note 23 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the 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

Details of movements in the reserves of the Group and the Company during FY 2012 are set out in the consolidated statement of changes in equity on page 59 and in note 24(b) to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2012 Revision) of the Cayman Islands, amounted to approximately RMB689,740,000. 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 2012, the Group acquired property, plant and equipment of approximately RMB58,967,000. Details of the movements in the property, plant and equipment of the Group during FY 2012 are set out in note 12 to the consolidated financial statements.

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

During FY 2012, 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 2012 are set out in note 21 to the consolidated financial statements.

Major Customers and Suppliers

The Group has no revenue recognised for FY 2012, and hence there is no aggregate sales to the five largest customers of the Group and sales to the largest customer for FY 2012. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 69% of the Group's total purchases and purchases from the largest supplier accounted for approximately 51% of the Group's total purchases for FY 2012.

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, other than employment contracts, 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.

Report of the Directors

Directors

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

Non-executive Directors

Dr. Cheng Kar Shun	(Chairman) (appointed on 23 May 2012)
Mr. Lam Wai Hon, Patrick	(Vice-Chairman) (ceased to be an alternate Director to Mr. Tsang Yam Pui on 23 May 2012)
Mr. Cheng Chi Ming, Brian	
Mr. Tsang Yam Pui	(retired on 23 May 2012)

Executive Directors

Ms. Yu Shuxian	
Mr. Jiao Ying	(appointed on 30 August 2012)
Mr. Li Yuelin	
Mr. Jing Zhiqing	(resigned on 29 February 2012)
Mr. Yao Zanxun	(resigned on 30 August 2012)
Mr. Lin Zeshun	(resigned on 27 December 2012)
Mr. Liu Yongxin	(resigned on 27 December 2012)

Independent Non-executive Directors

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

In accordance with article 101(3) of the Articles, Mr. Jiao Ying, who has been appointed by the Board as an executive Director with effect from 30 August 2012, will retire at the 2013 AGM. In addition, pursuant to articles 106(1) and 106(2) of the Articles, Mr. Li Yuelin, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny will retire from their offices by rotation at the 2013 AGM. All the above four retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2013 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 of its independent non-executive Directors to be independent in accordance with the guidelines as set out under the Listing Rules.

Report of the Directors

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the Interim Report 2012 are set out below:

Name of Director	Details of Changes
Ms. Yu Shuxian	• The monthly salary increased from RMB71,400 to RMB74,970 plus discretionary bonus with effect from 1 January 2013.
Mr. Jiao Ying	• The monthly salary increased from RMB115,400 to RMB121,170 plus discretionary bonus with effect from 1 January 2013.
	• Appointed as director of a subsidiary of the Company, namely Long Glory Consultancy Limited, on 10 September 2012.
Dr. Cheng Kar Shun	• The directors' fee increased from HK$250,000 per annum to HK$262,500 per annum with effect from 1 January 2013.
Mr. Lam Wai Hon, Patrick	• The directors' fee increased from HK$200,000 per annum to HK$210,000 per annum with effect from 1 January 2013.
Mr. Cheng Chi Ming, Brian	• The directors' fee increased from HK$200,000 per annum to HK$210,000 per annum with effect from 1 January 2013.
	• Appointed as the chairman of the board of directors of Fook Woo Group Holdings Limited (stock code: 923), which is a listed public company in Hong Kong, on 16 October 2012. Before such appointment, he is already a non-executive director of Fook Woo Group Holdings Limited.
	• Appointed as a non-executive director of Wai Kee Holdings Limited (stock code: 610), which is a listed public company in Hong Kong, on 15 February 2013.
Mr. Tsui King Fai	• The directors' fee increased from HK$200,000 per annum to HK$210,000 per annum with effect from 1 January 2013.
Mr. Lee Kwan Hung	• The directors' fee increased from HK$200,000 per annum to HK$210,000 per annum with effect from 1 January 2013.
Mr. Wu Wai Leung, Danny	• The directors' fee increased from HK$200,000 per annum to HK$210,000 per annum with effect from 1 January 2013.

Changes in Directors' Information *(Continued)*

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.

Biographical Information of Directors and Senior Management

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management's Profile" on pages 34 to 40.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2013 AGM has entered into any service agreement with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Other than as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in note 28 to the consolidated financial statements, at the end of FY 2012 or at any time during FY 2012, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries or its Substantial Shareholders was a party subsisted, and in which a Director had, whether directly or indirectly, a material interest.

Directors' Interests in Competing Business

During FY 2012 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 which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 December 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 FY 2012, some Directors have interests in the share options of the Company. Details of such interests and movements 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 year[2]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.12	Exercise price per share HK$
Executive Directors								
Yu Shuxian	28 January 2011	(1)	4,000,000	—	—	—	4,000,000	1.75
Jiao Ying[4]	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
Jing Zhiqing[5]	28 January 2011	(1)	4,000,000	—	—	4,000,000	—	1.75
Yao Zanxun[6]	28 January 2011	(1)	8,000,000	—	—	8,000,000	—	1.75
Liu Yongxin[7]	28 January 2011	(1)	4,000,000	—	—	4,000,000	—	1.75
Lin Zeshun[8]	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
			36,800,000	—	—	20,000,000	16,800,000	

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 FY 2012.

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

(4) Mr. Jiao Ying, being a member of the senior management and holds 4,000,000 share options, was appointed as an executive Director on 30 August 2012.

(5) Mr. Jing Zhiqing resigned on 29 February 2012.

(6) Mr. Yao Zanxun resigned on 30 August 2012.

(7) Mr. Liu Yongxin resigned on 27 December 2012.

(8) Mr. Lin Zeshun resigned on 27 December 2012.

Save as disclosed above, as at 31 December 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. No further options will be offered under the Pre-IPO Share Option Scheme. 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 FY 2012, movements of the share options granted under the Pre-IPO Share Option Scheme are as follows:

(i) Share Option Movements of Directors

Details of movements 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:

			Number of share options					
Name	Date of grant	Exercisable period (Note)	Balance as at 01.01.12	Exercised during the year[2]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.12	Exercise price per share HK$
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[4]	28 January 2011	(1)	4,000,000	—	—	4,000,000	—	1.75
			10,000,000	—	—	4,000,000	6,000,000	

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 FY 2012.

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

(4) Mr. Wang Xiaoxing left the Group on 1 September 2012 and all unexercised share options held by him were lapsed accordingly.

(iii) Share Option Movements of Other Eligible Participants

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

		Number of share options					
Date of grant	Exercisable period (Note)	Balance as at 01.01.12	Exercised during the year[2]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.12	Exercise price per share HK$
28 January 2011	(1)	85,100,000[4]	—	—	58,400,000	26,700,000	1.75

Share Option Schemes *(Continued)*

(iii) Share Option Movements of Other Eligible Participants *(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 grantees during FY 2012.

(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.

Further details of the Company's share option schemes are set out in note 25 to the consolidated financial statements.

Rights to Purchase Shares or Debentures of Directors and Chief Executives

Other than as disclosed in the paragraph headed "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" in this report, at no time during the year ended 31 December 2012 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 or to acquire benefits by means of acquisition of Shares in or debentures of the Company or any its Associated Corporations.

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

Long Position in Shares

As at 31 December 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 were 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%

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

Long Position in Shares *(Continued)*

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
NWD[(6)]	Interest of controlled corporation	1,920,000,000	48.00%
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%
Shougang Hong Kong[(8)]	Interest of controlled corporation	598,570,000	14.96%
Lord Fortune Enterprises Limited ("Lord Fortune")[(8)]	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All")[(8)]	Beneficial interest	228,570,000	5.71%
Mak Siu Hang, Viola[(9)]	Interest of controlled corporation	480,000,000	12.00%
VMS Investment Group Limited ("VMS")[(9)]	Interest of controlled corporation	480,000,000	12.00%
Fast Fortune Holdings Limited ("Fast Fortune")[(9)]	Beneficial interest	480,000,000	12.00%

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.

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

Long Position in Shares *(Continued)*

(6) NWD holds approximately 60.95% 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) Lord Fortune and Plus All are wholly-owned subsidiaries 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 Lord Fortune and Plus All.

(9) Fast Fortune is a wholly-owned 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.

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 31 December 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.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company maintained the prescribed public float under the Listing Rules.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 16 to 33.

Connected Transactions

The following continuing connected transactions were recorded for FY 2012:

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 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 2012, the total amount of rental, air-conditioning and management charges in respect of the lease of the aforesaid premises paid and payable by the Company to NWT was approximately HK$2,468,000 (2011: approximately HK$2,304,000). Details of the leases of the aforesaid premises have been set out in the prospectus of the Company dated 21 June 2011.

The Stock Exchange had 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 have confirmed 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, and 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.

Connected Transactions *(Continued)*

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to review the disclosed continuing connected transactions of the Group for FY 2012 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 disclosed continuing connected transactions of the Group 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) or which constitute a continuing connected transaction but exempt from all the reporting, annual review announcement and independent shareholders' approval requirements under Rule 14A. 33(3) of the Listing Rules, during FY 2012 is disclosed in note 28 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 five financial years is set out on page 111.

Annual General Meeting

The 2013 AGM of the Company for FY 2012 is scheduled to be held on Friday, 7 June 2013. A notice convening the 2013 AGM will be issued and disseminated to the Shareholders in due course.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 3 June 2013 to Friday, 7 June 2013 (both days inclusive), during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2013 AGM, all transfer of Shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2013.

Auditors

The financial statements for FY 2012 have been audited by Messrs. Ernst & Young, who will retire at the 2013 AGM 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 2013 AGM.

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 27 March 2013

Independent Auditors' Report

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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 57 to 110, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the Group's loss 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

27 March 2013

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Revenue	4	—	45,944
Cost of sales		—	(16,867)
Gross profit		—	29,077
Other income and gains		257	97
Selling and distribution costs		—	(764)
Administrative expenses		(45,910)	(33,100)
Finance income	6	13,773	21,453
(Loss)/profit from operations		(31,880)	16,763
Equity-settled share option expense	25	(2,656)	(9,338)
(Loss)/profit before tax	5	(34,536)	7,425
Income tax expense	8	(1,343)	(5,053)
(Loss)/profit for the year		(35,879)	2,372
Total comprehensive (loss)/income for the year		(35,879)	2,372
Attributable to:			
Owners of the Company		(35,628)	2,249
Non-controlling interests		(251)	123
		(35,879)	2,372
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	11	(0.89)	0.06

Details of the dividends payable and proposed for the year are disclosed in note 10 to the consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12	**725,188**	670,483
Intangible assets	13	**50,088**	2,301
Prepaid land lease payments	14	**3,610**	3,709
		778,886	676,493
Current assets			
Inventories	16	**4,736**	4,747
Prepayments, deposits and other receivables	17	**41,781**	37,343
Cash and cash equivalents	18	**793,146**	919,399
		839,663	961,489
Current liabilities			
Trade payables	19	**427**	979
Other payables and accruals	20	**85,879**	102,009
Interest-bearing bank borrowings	21	**393,238**	393,190
Income tax payable		**6,227**	4,443
		485,771	500,621
Net current assets		**353,892**	460,868
Total assets less current liabilities		**1,132,778**	1,137,361
Non-current liabilities			
Long-term payables	22	**29,820**	1,180
Net assets		**1,102,958**	1,136,181
Equity			
Equity attributable to owners of the Company			
Issued capital	23	**331,960**	331,960
Reserves	24(a)	**769,136**	802,108
		1,101,096	1,134,068
Non-controlling interests		**1,862**	2,113
Total equity		**1,102,958**	1,136,181

Jiao Ying
Director

Li Yuelin
Director

Consolidated Statement of Changes In Equity

Year ended 31 December 2012

	Attributable to owners of the Company							
	Issued capital RMB'000 Note 23	Share premium account RMB'000 Note 23	Capital reserves RMB'000 Note 24	Share option reserve RMB'000 Note 25	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 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 and 1 January 2012	**331,960**	**719,871**	**80,864**	**5,743**	**(4,370)**	**1,134,068**	**2,113**	**1,136,181**
Loss for the year	**—**	**—**	**—**	**—**	**(35,628)**	**(35,628)**	**(251)**	**(35,879)**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(35,628)**	**(35,628)**	**(251)**	**(35,879)**
Equity-settled share option arrangements	**—**	**—**	**—**	**2,656**	**—**	**2,656**	**—**	**2,656**
At 31 December 2012	**331,960**	**719,871***	**80,864***	**8,399***	**(39,998)***	**1,101,096**	**1,862**	**1,102,958**

* These reserve accounts comprise the consolidated reserves of RMB769,136,000 (2011: RMB802,108,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(34,536)**	7,425
Adjustments for:			
Depreciation of items of property, plant and equipment	5	**4,262**	6,114
Amortisation of prepaid land lease payments	5	**101**	101
Finance income, net	6	**(13,773)**	(21,453)
Equity-settled share option expense	25	**2,656**	9,338
Cash flows before working capital changes		**(41,290)**	1,525
Decrease/(increase) in inventories		**11**	(3,130)
Increase in prepayments, deposits and other receivables		**(686)**	(7,458)
(Decrease)/increase in trade payables		**(552)**	621
(Decrease)/increase in other payables and accruals		**(2,641)**	6,122
Decrease in advances from customers		**—**	(23,671)
Cash used in operations		**(45,158)**	(25,991)
Interest received		**16,076**	2,698
Bank charges paid		**(22)**	(32)
Corporate income tax paid		**(240)**	(2,157)
Net cash flows used in operating activities		**(29,344)**	(25,482)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(74,799)**	(317,200)
Addition of intangible assets		**(11,987)**	—
Net cash flows used in investing activities		**(86,786)**	(317,200)
Cash flows from financing activities			
Interest paid		**(9,941)**	(5,598)
Proceeds from issue of shares	23	**—**	1,161,860
Payment of initial public offering expenses		**—**	(63,013)
Proceeds from interest-bearing bank borrowings		**—**	406,171
Capital injection from non-controlling shareholders		**—**	665
Advances from the then immediate holding company		**—**	219,403
Repayments to the then immediate holding company		**—**	(511,354)
Net cash flows (used in)/generated from financing activities		**(9,941)**	1,208,134
Net (decrease)/increase in cash and cash equivalents		**(126,071)**	865,452

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(126,071)**	865,452
Cash and cash equivalents at beginning of year		**919,399**	55,934
Effect of foreign exchange rate changes, net		**(182)**	(1,987)
Cash and cash equivalents at end of year		**793,146**	919,399
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	18	**793,146**	919,399

Statement of Financial Position

31 December 2012

	Notes	2012 RMB'000	2011 RMB'000
Non-current assets			
Property, plant and equipment	12	**485**	634
Investments in subsidiaries	15(a)	**36,665**	36,665
		37,150	37,299
Current assets			
Prepayments, deposits and other receivables	17	**3,296**	1,407
Due from a subsidiary	15(b)	**984,844**	949,375
Cash and cash equivalents	18	**489,234**	537,750
		1,477,374	1,488,532
Current liabilities			
Other payables and accruals		**11,742**	14,588
Interest-bearing bank borrowings	21	**393,238**	393,190
Income tax payable		**2,282**	300
		407,262	408,078
Net current assets		**1,070,112**	1,080,454
Total assets less current liabilities		**1,107,262**	1,117,753
Net assets		**1,107,262**	1,117,753
Equity			
Issued capital	23	**331,960**	331,960
Reserves	24(b)	**775,302**	785,793
Total equity		**1,107,262**	1,117,753

Jiao Ying
Director

Li Yuelin
Director

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 P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, 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 in the People's Republic of China (the "PRC" or "Mainland China").

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 ("IASB") 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 2012. 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.

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 revised IFRSs for the first time for the current year's 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*
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 revised IFRSs has had no significant financial effect on these financial statements.

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 — Government Loans* [2]
IFRS 7 Amendments	*Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities* [2]
IFRS 9	*Financial Instruments* [4]
IFRS 10	*Consolidated Financial Statements* [2]
IFRS 11	*Joint Arrangements* [2]
IFRS 12	*Disclosure of Interests in Other Entities* [2]
IFRS 9 and IFRS 7 Amendments	*Mandatory Effective Date of IFRS 9 and Transition Disclosures* [4]
IFRS 10, IFRS 11 and IFRS 12 Amendments	*Amendments to IFRS 10, IFRS 11 and IFRS 12 — Transition Guidance* [2]
IFRS 10, IFRS 12 and IAS 27 (2011) Amendments	*Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) — Investment Entities* [3]
IFRS 13	*Fair Value Measurement* [2]
IAS 1 Amendments	*Amendments to IAS 1 Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income* [1]
IAS 19 (2011)	*Employee Benefits* [2]
IAS 27 (2011)	*Separate Financial Statements* [2]
IAS 28 (2011)	*Investments in Associates and Joint Ventures* [2]
IAS 32 Amendments	*Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities* [3]
IFRIC-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in June 2012* [2]

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

2.3 Impact of Issued But Not Yet Effective IFRSs *(Continued)*

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IAS 1 Amendments 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 would be presented separately from items which will never be reclassified. The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, as compared with the existing requirements in IFRS 27 and International Standing Interpretations Committee Interpretation ("ISIC-Int") 12. Based on the preliminary analyses performed, the adoption of IFRS 10 is not expected to have any significant impact to the Group.

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 ores 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.

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 an 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 member 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; or

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

(b) 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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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 including 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 when 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 when the exploration property is abandoned.

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.

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 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 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 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 determines the classification of its financial liabilities at initial recognition. All financial liabilities are initially stated at fair value and, in the case of interest-bearing bank borrowings, net of 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 mine 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 on 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.

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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies *(Continued)*

Share-based payments

The Company operates share option schemes for the purpose of providing rewards to eligible participants who contribute to the success of the completion of the listing of the Company's shares (the "Listing") or the Group's operations. Eligible participants receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instrument (the "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 25 to the consolidated 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 payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

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.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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, their accompanying disclosures, and the disclosure of contingent liabilities. 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 2012 were RMB725,188,000 (2011: RMB670,483,000).

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 iron concentrates in saleable form (within specifications)
- Ability to sustain ongoing production of iron concentrates

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, mining infrastructure development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

3. Significant Accounting Judgements and Estimates *(Continued)*

Estimation uncertainty *(Continued)*

(e) Fair value of Pre-IPO Share Options and estimation of equity-settled share option expense

The Group granted options under the Pre-IPO Share Option Scheme (as defined in note 25) in the prior year and the principal assumptions used in the estimation of fair value of the Pre-IPO Share Options (as defined in note 25) 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.

According to the Group's accounting policies, the cumulative equity-settled share option expense is reviewed at the end of each reporting period to reflect the extent to which the vesting period has expired and the Group's estimate of the number of equity instruments that will ultimately vest. The current year's equity-settled share option expense represented the movement in the cumulative expense recognised in the financial statements after taking into consideration the best estimation of the number of the Pre-IPO share options that are expected to vest.

4. Revenue and Operating Segment Information

Revenue in the prior year 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 year and the loss for the year was derived from the "Sale of Iron Concentrates" operating segment. In the prior year, 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 (where applicable) and the majority of the Group's non-current assets are located in the PRC in both years, no geographical information is presented.

Information about major customers

The Group had no revenue during the year ended 31 December 2012. In 2011, there were two customers with whom transactions had exceeded 10% of the Group's revenue, representing revenue of RMB34,352,000 and RMB10,270,000 respectively.

5. (Loss)/Profit Before Tax

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

	Notes	2012 RMB'000	2011 RMB'000
Cost of inventories sold		—	16,867
Depreciation of items of property, plant and equipment	12	4,262	6,114
Minimum lease payments under operating leases for office tenancy		2,873	3,360
Amortisation of prepaid land lease payments	14	101	101
Auditors' remuneration (including out-of-pocket expenses)		2,140	2,559
Employee benefit expense (excluding directors' remuneration (note 7))			
— Wages and salaries		16,211	13,031
— Equity-settled share option expense		1,662	7,631
— Pension scheme contributions		1,248	229

6. Finance Income

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

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings	(9,685)	(6,174)
Less: Interest capitalised	5,733	6,174
	(3,952)	—
Interest income	18,004	2,698
Bank charges	(22)	(32)
Net foreign exchange (losses)/gains	(257)	18,787
Finance income, net	13,773	21,453

To the extent that funds are borrowed generally and used for the purpose of obtaining qualifying assets, a capitalisation rate of 1.46% has been applied to the expenditure on the assets in respect of financial year ended 31 December 2012 (2011: 2.07%).

7. Emoluments of Directors and Senior Management

Details of the remuneration of directors, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Fees	**1,016**	848
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**4,778**	4,687
Equity-settled share option expense	**994**	1,707
Pension scheme contributions	**—**	—
	5,772	6,394
	6,788	7,242

In 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 25 to the consolidated 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 and prior years is included in the above directors' remuneration disclosures for the respective years.

7. Emoluments of Directors and Senior Management *(Continued)*

(a) Executive directors and non-executive directors

The remuneration paid to executive and non-executive directors during the years ended 31 December 2012 and 2011 ware as follows:

2012	Fees RMB'000	Salaries, bonuses, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Executive directors:				
Ms. Yu Shuxian	—	985	196	1,181
Mr. Jiao Ying(1)	—	631	38	669
Mr. Li Yuelin	—	594	314	908
Mr. Yao Zanxun(2)	—	1,980	165	2,145
Mr. Lin Zeshun(3)	—	264	82	346
Mr. Liu Yongxin(3)	—	264	82	346
Mr. Jing Zhiqing(4)	—	60	—	60
	—	4,778	877	5,655
Non-executive directors:				
Dr. Cheng Kar Shun(5)	123	—	—	123
Mr. Lam Wai Hon, Patrick	162	—	—	162
Mr. Cheng Chi Ming, Brain	162	—	—	162
Mr. Tsang Yam Pui(6)	80	—	—	80
	527	—	—	527
Total	527	4,778	877	6,182

(1) Appointed on 30 August 2012
(2) Former chief executive officer of the Company, resigned on 30 August 2012
(3) Resigned on 27 December 2012
(4) Resigned on 29 February 2012
(5) Appointed on 23 May 2012
(6) Retired on 23 May 2012

7. Emoluments of Directors and Senior Management *(Continued)*

(a) Executive directors and non-executive directors *(Continued)*

2011	Fees	Salaries, bonuses, allowances and benefits in kind	Equity-settled share option expense	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:				
Ms. Yu Shuxian[7]	—	802	208	1,010
Mr. Li Yuelin	—	525	333	858
Mr. Yao Zanxun	—	2,360	416	2,776
Mr. Lin Zeshun	—	250	208	458
Mr. Liu Yongxin	—	250	208	458
Mr. Jing Zhiqing	—	500	208	708
	—	4,687	1,581	6,268
Non-executive directors:				
Mr. Tsang Yam Pui	127	—	—	127
Mr. Lam Wai Hon, Patrick	101	—	—	101
Mr. Cheng Chi Ming, Brain	101	—	—	101
Ms. Yu Shuxian[7]	32	—	—	32
	361	—	—	361
Total	361	4,687	1,581	6,629

(7) Re-designated as an executive director on 1 March 2011

There was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

7. Emoluments of Directors and Senior Management *(Continued)*

(b) Independent non-executive directors

The remuneration paid to independent non-executive directors during the years ended 31 December 2012 and 2011 were as follows:

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2012			
Mr. Tsui King Fai	**163**	**39**	**202**
Mr. Lee Kwan Hung	**163**	**39**	**202**
Mr. Wu Wai Leung, Danny	**163**	**39**	**202**
	489	**117**	**606**
2011			
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

(c) Five highest paid individuals

The five highest paid individuals for 2012 included three (2011: two) directors, one of which was appointed during the year, with details of directors' remuneration set out in note 7(a) above, and two (2011: three) employees of the Group, who are neither a director nor chief executive of the Company. The following table showed the details of remuneration paid to three (2011: three) highest paid individuals, including a director appointed during the year, as follows:

	Group	
	2012 RMB'000	2011 RMB'000
Salaries, bonuses, allowances and benefits in kind	**3,542**	3,333
Equity-settled share option expense	**343**	364
Pension scheme contributions	**51**	18
	3,936	3,715

7. Emoluments of Directors and Senior Management *(Continued)*

(c) Five highest paid individuals *(Continued)*

The number of highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of individual(s)	
	2012	2011
Nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**2**	1
HK$2,000,001 to HK$2,500,000	**1**	1
	3	3

In 2011, two non-director, highest paid individuals 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 25 to the consolidated 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 and prior years is included in the above non-director, highest paid individuals' remuneration disclosures for the respective years.

During the year ended 31 December 2012, 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.

(d) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed in notes 7(a) to (c) above, the emoluments of the senior management whose profiles are included in the section headed "Directors' and Senior Management's Profile" of this annual report fell within the band of "Nil to HK$1,000,000".

8. Income Tax

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities 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 years ended 31 December 2012 and 2011.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the years ended 31 December 2012 and 2011.

	Group	
	2012	2011
	RMB'000	RMB'000
Current tax — Mainland China		
Charge for the year	**1,343**	5,053

A reconciliation of the tax expense applicable to (loss)/profit 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			
	2012		2011	
	RMB'000	**%**	RMB'000	%
(Loss)/profit before tax	**(34,536)**		7,425	
Tax at the statutory tax rate	**(8,634)**	**25**	1,856	25
Income not subject to tax	**(3,110)**	**9**	(5,495)	(74)
Expenses not deductible for tax	**7,678**	**(22)**	8,392	113
Tax losses not recognised	**5,409**	**(16)**	—	—
Others	**—**	**—**	300	4
Tax charge at the Group's effective rate	**1,343**	**(4)**	5,053	68

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB21,636,000 (2011: Nil) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

9. Loss Attributable to Owners of The Company

The consolidated loss attributable to owners of the Company for the year ended 31 December 2012 includes a loss of RMB13,147,000 (2011: RMB14,865,000) which has been dealt with in the financial statements of the Company (note 24(b)).

10. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (2011: Nil).

11. (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 year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 (2011: approximately 3,596,712,000) in issue during the year.

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

	2012 RMB'000	2011 RMB'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company, used in the basic and diluted (loss)/earnings per share calculation	**(35,628)**	2,249
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation	**4,000,000**	3,596,712

The Pre-IPO Share Options of the Company had an anti-dilutive effect on the basic (loss)/earnings per share amount for the years ended 31 December 2012 and 2011 and were ignored in the calculation of diluted (loss)/earnings per share.

12. Property, Plant and Equipment

Group

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 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 and 1 January 2012	698	4,752	53,269	77,319	541,725	677,763
Additions	—	392	352	1,400	56,823	58,967
Transfer in/(out)	—	—	—	2,460	(2,460)	—
At 31 December 2012	698	5,144	53,621	81,179	596,088	736,730
Accumulated depreciation:						
At 1 January 2011	—	(123)	(985)	(58)	—	(1,166)
Provided for the year	(32)	(521)	(3,059)	(2,502)	—	(6,114)
At 31 December 2011 and 1 January 2012	(32)	(644)	(4,044)	(2,560)	—	(7,280)
Provided for the year	(33)	(706)	(3,516)	(7)	—	(4,262)
At 31 December 2012	(65)	(1,350)	(7,560)	(2,567)	—	(11,542)
Net carrying amount:						
At 31 December 2012	633	3,794	46,061	78,612	596,088	725,188
At 31 December 2011	666	4,108	49,225	74,759	541,725	670,483

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

Company

	Fixtures and others RMB'000
Cost:	
At 1 January 2011	55
Additions	690
At 31 December 2011 and 2012	745
Accumulated depreciation:	
At 1 January 2011	(2)
Provided for the year	(109)
At 31 December 2011 and 1 January 2012	(111)
Provided for the year	(149)
At 31 December 2012	(260)
Net carrying amount:	
At 31 December 2012	485
At 31 December 2011	634

13. 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.

	Group	
	2012	2011
	RMB'000	RMB'000
Cost:		
At 1 January	**2,301**	2,301
Additions	**47,787**	—
At end of the year	**50,088**	2,301
Accumulated amortisation:		
At 1 January and at end of the year	**—**	—
Net carrying amount:		
At end of the year	**50,088**	2,301

14. Prepaid Land Lease Payments

		Group	
		2012	2011
	Notes	**RMB'000**	RMB'000
Carrying amount at 1 January		**3,812**	3,913
Recognised during the year	5	**(101)**	(101)
Carrying amount at 31 December		**3,711**	3,812
Current portion included in prepayments, deposits and other receivables	17	**(101)**	(103)
Non-current portion		**3,610**	3,709

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.

15. Investments in Subsidiaries

(a)

	Company 2012 RMB'000	Company 2011 RMB'000
Unlisted shares, at cost	**36,665**	36,665

Particulars of the principal subsidiaries as at 31 December 2012 are as follow:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/registered capital	Percentage of equity interests attributable to the Company (%) Direct	Percentage of equity interests attributable to the Company (%) Indirect	Principal activities
Venca Investments Limited ("Venca") 永佳投資有限公司 *	BVI	US$1,000	100	—	Investment holding
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$49,800,000 (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.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

16. Inventories

The Group's inventories represented spare parts and consumables which are carried at cost.

17. Prepayments, Deposits and Other Receivables

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

		Group	
		2012	2011
	Note	**RMB'000**	RMB'000
Advances to suppliers		**23,636**	21,810
Other tax receivables		**11,512**	10,864
Deposits		**3,073**	3,052
Bank interest receivables		**2,477**	—
Prepaid land lease payments, current portion	14	**101**	103
Advances to employees		**—**	581
Others		**982**	933
		41,781	37,343

	Company	
	2012	2011
	RMB'000	RMB'000
Bank interest receivables	**2,159**	—
Deposits	**709**	700
Others	**428**	707
	3,296	1,407

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.

18. Cash and Cash Equivalents

	Group		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash and bank balances	**53,478**	86,853	**4,336**	4,291
Time deposits	**739,668**	832,546	**484,898**	533,459
Cash and cash equivalents	**793,146**	919,399	**489,234**	537,750

Cash and bank balances are denominated in RMB as at 31 December 2012 and 2011, except for the following:

	Group		Company	
	2012	2011	**2012**	2011
(RMB equivalent)	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash and bank balances denominated in:				
United States Dollars ("USD")	**500**	5,886	**408**	2,089
Hong Kong Dollars ("HK$")	**3,969**	2,415	**3,873**	2,191
	4,469	8,301	**4,281**	4,280

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 ranging from one day to 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.

19. 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	
	2012	2011
	RMB'000	RMB'000
Within 6 months	**267**	707
6 months to 1 year	**3**	272
Over 1 year	**157**	—
	427	979

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

20. 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 RMB54,084,000 (2011: RMB75,465,000).

Other payables are unsecured and non-interest-bearing.

21. Interest-Bearing Bank Borrowings

	Group and Company			
	2012		2011	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank borrowings unsecured and repayable on demand	**2.37-2.40**	**393,238**	1.25-2.75	393,190

All bank borrowings are denominated in Hong Kong dollars, and the maturity of which is subject to the banks' overriding right of repayment on demand.

22. Long-Term Payables

	Group	
	2012	2011
	RMB'000	RMB'000
Gabbro-diabase resources fees payable	**28,640**	—
Compensation payables to farmers	**1,180**	1,180
	29,820	1,180

The gabbro-diabase resources fees payable represents the remaining instalments of resources fees payable in 2014 to 2017 regarding the mining permit received during the year.

23. Issued Capital

Shares

	Group and Company	
	2012	2011
	HK$'000	HK$'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 (2011: 4,000,000,000) ordinary shares of HK$0.1 each, totally HK$400,000,000	**331,960**	331,960

23. Issued Capital *(Continued)*

Shares *(Continued)*

Movement 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 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 and 2012	4,000,000,000	331,960	719,871	1,051,831

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.

Share options

Details of the Company's share option schemes are included in note 25 to the consolidated financial statements.

24. 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 59 of the consolidated financial statements.

24. Reserves *(Continued)*

(b) Company

	Share premium account RMB'000 Note 23	Capital reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2011	—	36,665	—	(2,119)	34,546
Loss for the year (note 9)	—	—	—	(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 and 1 January 2012	**719,871**	**77,163**	**5,743**	**(16,984)**	**785,793**
Loss for the year (note 9)	**—**	**—**	**—**	**(13,147)**	**(13,147)**
Other comprehensive income for the year	**—**	**—**	**—**	**—**	**—**
Total comprehensive loss for the year	**—**	**—**	**—**	**(13,147)**	**(13,147)**
Equity-settled share option arrangements	**—**	**—**	**2,656**	**—**	**2,656**
At 31 December 2012	**719,871**	**77,163**	**8,399**	**(30,131)**	**775,302**

In accordance with the articles of association of the Company and the Companies Law (2012 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

24. Reserves *(Continued)*

The capital reserves of the Group and the Company represented:

- 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 25 to the consolidated 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.

25. 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.

In 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 in 2011), 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 ("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; 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.

25. Share Option Schemes *(Continued)*

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

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.

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.

The following table summarised the movements in outstanding share options under the Pre-IPO Share Option Scheme during the year:

	Number of options	
	2012	2011
	'000	'000
At 1 January	**131,900**	—
Granted during the year	**—**	133,300
Forfeited during the year	**(82,400)**	(1,400)
At 31 December	**49,500**	131,900

The fair value of the Pre-IPO Share Options granted in the prior 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 RMB2,656,000 (2011: RMB9,338,000) during the year.

The fair value of equity-settled share options granted in 2011 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.

25. Share Option Schemes *(Continued)*

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

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.

At the end of the reporting period and at the date of approval of these financial statements, the Company had 49,500,000 and 49,000,000 share options, respectively, outstanding under the Pre-IPO Share Option Scheme, which represented 1.2% and 1.2% of the Company's shares in issue 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"), 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 2010 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 2010 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.

25. Share Option Schemes *(Continued)*

(b) 2010 share option scheme *(Continued)*

The maximum number of unexercised share options ("2010 Scheme Options") currently permitted to be granted under the 2010 Share Option Scheme and any other schemes of the Company is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. In addition to the 30% limit set out above, the total number of shares which may be issued upon exercise of all 2010 Scheme Options to be granted under the 2010 Share Option Scheme must not in aggregate exceed 10% of the Company's shares in issue. Options lapsed in accordance with the terms of the 2010 Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The maximum number of shares issuable under 2010 Scheme Options to each eligible participant in the 2010 Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of 2010 Scheme Options in excess of this limit is subject to shareholders' approval in a general meeting.

2010 Scheme Options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any 2010 Scheme Options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of 2010 Scheme Options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of 2010 Scheme Options granted is determinable by the directors, save that such period must not exceed 10 years from the date of grant of 2010 Scheme Options.

The exercise price of 2010 Scheme Options is determined by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of 2010 Scheme Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

During the year ended 31 December 2012, 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 2010 Share Option Scheme.

26. Operating Lease Arrangements

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 upon expiry.

As at 31 December 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Within one year	**2,652**	2,557
In the second to fifth years, inclusive	**—**	2,725
	2,652	5,282

	Company	
	2012	2011
	RMB'000	RMB'000
Within one year	**2,652**	1,963
In the second to fifth years, inclusive	**—**	2,682
	2,652	4,645

27. Commitments

In addition to the operating lease commitments detailed in note 26 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2012	2011
	RMB'000	RMB'000
Contracted, but not provided for:		
— Property, plant and equipment	**59,991**	82,798
Authorised, but not contracted for:		
— Property, plant and equipment	**400,591**	447,217
— Resource fees	**310,000**	310,000
	710,591	757,217

28. 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		Company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Net advance to a subsidiary				
Venca	**N/A**	N/A	**35,469**	689,705
Net repayment to the then immediate holding company				
Faithful Boom Investments Limited ("Faithful Boom")	**—**	291,951	**—**	253,987
Waiver of remaining unpaid amount due to the then immediate holding company				
Faithful Boom	**—**	36,903	**—**	36,903
Leasing of office premises from a subsidiary of a substantial shareholder of the Company				
New World Tower Company Limited (i)	**2,009**	1,912	**2,009**	1,912
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company				
CiF Solutions Ltd (ii)	**176**	—	**176**	—

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 which has also been disclosed in the Report of the Directors pursuant to Chapter 14A of the Listing Rules.

(ii) The transaction constitutes a continuing connected transaction as defined in Chapter 14A of the Listing Rules, but is exempted from all the reporting, annual review, announcement and independent shareholders' approval requirements as it falls below the de minimis threshold stipulated under Rule 14A.33(3) of the Listing Rules.

28. Related Party Transactions *(Continued)*

(b) Compensation of key management personnel

Other than the emoluments paid to the directors and the chief executive of the Company (being the key management personnel of the Company) as disclosed in note 7, there is no significant compensation arrangement during the year.

29. Financial Instruments By Category

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

Group

	2012 RMB'000	2011 RMB'000
Financial assets — loans and receivables		
Financial assets included in prepayments, deposits and other receivables	6,139	3,985
Cash and cash equivalents (note 18)	793,146	919,399
	799,285	923,384
Financial liabilities — at amortised cost		
Trade payables (note 19)	427	979
Financial liabilities included in other payables and accruals	85,879	102,009
Interest-bearing bank borrowings (note 21)	393,238	393,190
Long-term payables (note 22)	29,820	1,180
	509,364	497,358

Company

	2012 RMB'000	2011 RMB'000
Financial assets — loans and receivables		
Financial assets included in prepayments, deposits and other receivables (note 17)	3,296	1,407
Due from a subsidiary	984,844	949,375
Cash and cash equivalents (note 18)	489,234	537,750
	1,477,374	1,488,532
Financial liabilities — at amortised cost		
Financial liabilities included in other payables and accruals	11,742	14,588
Interest-bearing bank borrowings (note 21)	393,238	393,190
	404,980	407,778

30. Fair Value and Fair Value Hierarchy

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

As at 31 December 2012 and 2011, the Group and the Company did not hold any financial instruments that were remeasured at fair value.

31. 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 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.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will constantly review the economic situation and its interest rate risk profile, and will consider appropriate hedging measures in future as may be necessary.

With all other variables held constant, a change in interest rates of 0.25% per annum would cause a corresponding change in the Group's loss before tax and accumulated losses by approximately RMB422,000 for the year ended 31 December 2012.

For year ended 31 December 2011, as all borrowing costs were attributed to the Group's construction in progress and were capitalised, there would be no impact on the Group's profit as a result of the change in the interest rates.

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

Foreign currency risk

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 in the foreign currency rates.

As of 31 December 2012, certain cash and cash equivalents were denominated in HKD and USD and the bank borrowings were denominated in HKD. As the RMB fluctuates against HKD and USD in a limited extent during the year, the Group had no material adverse exposure to foreign exchange fluctuations during the year.

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.

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

Liquidity risk *(Continued)*

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

	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
2012					
Trade payables	**—**	**270**	**157**	**—**	**427**
Other payables and accruals	**—**	**85,879**	**—**	**—**	**85,879**
Interest-bearing bank borrowings	**393,238**	**—**	**—**	**—**	**393,238**
Long-term payables	**—**	**—**	**29,320**	**500**	**29,820**
	393,238	**86,149**	**29,477**	**500**	**509,364**
2011					
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

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

Liquidity risk *(Continued)*

Company

	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
2012			
Other payables and accruals	**—**	**11,742**	**11,742**
Interest-bearing bank borrowings	**393,238**	**—**	**393,238**
	393,238	**11,742**	**404,980**
2011			
Other payables and accruals	—	14,588	14,588
Interest-bearing bank borrowings	393,190	—	393,190
	393,190	14,588	407,778

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 2012 and 2011.

32. Contingent Liabilities

The Group was exposed to contingent liabilities as a result of the transfer of Venca's 99% equity interest in Xingye Mining to Jet Bright in 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 prior years, the Group submitted an application and supplementary information to the relevant tax bureaus for confirmation that the above-mentioned transfer qualifies for special tax treatment. As the directors believe that the transfer qualifies for special tax treatment and there should be no CIT arising from the transfer, the Group did not made any tax provision for these contingent liabilities.

During the year, the Group reached an understanding with the relevant tax bureaus that the above-mentioned transfer qualifies for the special tax treatment and thus no tax exposure would arise from such transfer.

33. Event after the Reporting Period

Subsequent to the end of the reporting period, in late March 2013, a subsidiary of the Group was involved in a litigation as a defendant regarding the construction sum payable arising out of the ordinary course of business of the Group. The Group is currently reviewing the relevant documents from the counterparty and will proactively respond to the case in accordance with the advice of the Group's legal counsels. Based on the information provided so far, it is not anticipated to have any material adverse impact to the financial position and operations of the Group.

34. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 27 March 2013.

Five-Year Financial Summary

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

Results

	For the year ended 31 December				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**—**	45,944	—	—	—
(Loss)/profit before tax	**(34,536)**	7,425	(2,948)	(2,233)	(371)
Income tax expense	**(1,343)**	(5,053)	—	—	—
(Loss)/profit for the year (note)	**(35,879)**	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				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**778,886**	676,493	357,811	67,766	67,846
Current assets	**839,663**	961,489	116,931	18,296	492
Current liabilities	**(485,771)**	(500,621)	(438,490)	(48,087)	(53,025)
Non-current liabilities	**(29,820)**	(1,180)	(1,180)	(1,180)	(1,180)
Total equity	**1,102,958**	1,136,181	35,072	36,795	14,133
Non-controlling interests	**(1,862)**	(2,113)	(1,325)	(127)	(156)
Equity attributable to owners of the Company	**1,101,096**	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 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" or "Newton"	Newton Resources Ltd
"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 2011"	the financial year ended 31 December 2011
"FY 2012" or "Reporting Period"	the financial year ended 31 December 2012
"Group"	the Company and its subsidiaries
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	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"	the listing of the Shares on the main board of the Stock Exchange on 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

Glossary of Terms

General Terms *(Continued)*

"NWS"	NWS Holdings Limited
"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
"PRC" or "Mainland China"	The People's Republic of China for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Safety Authority"	the relevant government authority for the granting of production safety permit(s) for the New Tailings Storage Facility and/or the production of Gabbro-Diabase products
"SFO"	Securities and Futures Ordinance
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Shougang Hong Kong"	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"US$" 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

Glossary of Terms

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
"Mt"	megatonne(s)
"km^2"	square km(s)
"m^2"	square metre(s)
"TFe"	average total iron grade
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum

Corporate Information

Board of Directors

Non-executive Directors

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

Executive Directors

Ms. Yu Shuxian
Mr. Jiao Ying
Mr. Li Yuelin

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

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
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 1504-05
15th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

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

Solicitors

Eversheds
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

Hong Kong Stock Exchange 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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