



新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

2013

Interim Report





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Chairman's Statement

Dear Shareholders,

The Group recorded a net loss of approximately RMB12.8 million for the Reporting Period, as compared to a net loss of approximately RMB15.5 million for the first half of 2012. In spite of valiant efforts by our management team, our Yanjiazhuang Mine operations continue to face varying degrees of challenge. In the first half of 2013, the Group continued its trial production of the iron concentrates. Regrettably, negotiations with villagers and local government on land expropriation have proven to be a laborious and prolonged task. With a sense of fiduciary stewardship towards our Shareholders, we are steadfast in our principle that all discussions must be equitable, licit and efficacious on a bilateral basis. Under this tenet, notwithstanding mediations by the local government officials, not all asserted demands by the neighbouring villages and their inhabitants could be met amicably. This has prompted certain disturbance in our mine site. Such disturbance continues sporadically in varying degrees of intensity even to date and the Group was forced to suspend its trial production. We categorically disavow any such antagonistic conduct as leverage of negotiations. Our quest to resolve this matter has meant strenuous dialogues between our management, local government officials, and representatives from the surrounding villages over the last few months. I thank our management team for their unrelenting efforts and unwavering spirit to brave this herculean task. With the heightened rapport between us and Shougang, which I will elaborate in the next paragraph, I see impetus for optimism. Our management team is in active, albeit preliminary still, discussions with Shougang to study the situation with an aim for the Yanjiazhuang Mine to resume production as soon as possible. Meanwhile, during the Reporting Period, the Group was getting prepared for the gabbro-diabase mining at the Yanjiazhuang Mine, and made good progress in stripping and preparation works. The operation of the First Quarry was not materially affected by the disturbance caused by the neighbouring villages and their inhabitants.

For the last few months, our management has been in regular discussions with Shougang to determine the best means to collaborate with us on the development of and the resumption of production at the Yanjiazhuang Mine. Information is being exchanged, site visits are being made, management experience is being shared and joint visits to local regulators and government departments are taking places. Although I am pleased with the progress, I have urged our management team to expedite the process. Our management team is currently formulating a proposal to effectuate this collaboration with Shougang. Once an agreement in principle is reached, we will immediately inform the market as appropriate.

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

Dr. Cheng Kar Shun

Chairman

Hong Kong, 29 August 2013

Management Discussion and Analysis

Market Review

In the first half of 2013, with a further slowing down in the economic growth of Mainland China which led to a decrease in the growth of GDP to 7.6% and the recovery prospect of international economy are uncertain, the iron and steel industry of China remained sluggish as a whole. As the profitability of steel enterprises weakened, approximately more than 40% of them suffered losses. Affected by such factors, the demand for iron ore declined and iron ore prices fluctuated in a gradual downward trend with the average price of the iron ores imported to Mainland China decreased by approximately 4% to US\$133.2 per tonne, as compared against the same period last year.

In addition, as a large steel producing country, China's iron ore demand continues to depend largely on imports as its domestically produced iron ores do not meet the production needs. In the first half of 2013, Mainland China imported about 384Mt of iron ores in total, representing a year-on-year increase of 4.9%. However, such import growth was slowed down. As the province in Mainland China with the largest steel production and iron ore demand, Hebei Province achieved about 237Mt in iron ore output in the first half of 2013, representing a year-on-year growth of 3.5%, through the growth was cut down by 18%. The decrease in iron ore production is mainly caused by the falling iron ore price, leading to the low utilisation rate of ore processing facilities and shrinking profits of iron mining enterprises. To complement the insufficient domestically produced iron ores, the iron ore imports in Hebei Province increased by 13.4% year on year in the first half of 2013. However, the growth of imported iron ores also slowed down due to the overall diminishing demand for iron ores in Hebei Province.

Looking into the second half of 2013, the Chinese government is further strengthening the adjustment of industrial structure, in particular the elimination of enterprises with low-efficient production capacity in the iron and steel industry. The measures include closing down of certain small and medium steel enterprises with heavy pollution due to environmental protection motive. The iron ore demand will continue to fall and exert downward pressure to the iron ore price. On the other hand, the stable economic growth policy of the Chinese government and the anticipation of urbanisation development plan are expected to restore confidence in the iron and steel industry and stabilise the iron ore price.

Business and Operation Review

Iron Concentrate Business

In the first half of 2013, the Group continued the trial production of iron concentrates. Regrettably, in the past few months, the local villagers have again caused disturbance around the Group's mine site due to the land expropriation disputes. Such disturbance disrupted the Group's mining activities, forcing the Group to suspend the trial production. The Group recorded sale revenue of approximately RMB2.2 million from the trial production and sale of iron concentrates.

During the Reporting Period, the Group passed the safety inspection for the New Tailings Storage Facility and the ancillary constructions and was granted the production safety permit by the Safety Authority.

Management Discussion and Analysis

Business and Operation Review *(Continued)*

Iron Concentrate Business *(Continued)*

The Group resumed the stripping activities, and started the trial operation 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 since November 2012. However, during the Reporting Period, notwithstanding mediations by the local government officials, not all asserted demands by the neighboring villages and their inhabitants could be met amicably. This has prompted certain disturbance in the mine site. Such disturbance continues sporadically in varying degrees of intensity even to date and the Group was forced to suspend its stripping and mining activities and its trial production at the Yanjiazhuang Mine. Given sufficient consideration for the difficulty and complexity that the Group is facing in the development and production at the mine site, the Group has been engaged in active communication with relevant government authorities on a “Reasonable and Legitimate” basis with an aim of achieving comprehensive and thorough solutions with the neighboring villages and their inhabitants in the future, so as to smoothing out the development of the production and operation at the Yanjiazhuang Mine. As of the date of this report, the Group has yet to make any estimate or judgment on the schedule of resuming the iron concentrate commercial production. The Company shall further disclose any progress on the resumption of production as and when appropriate.

During the Reporting Period, the Group and Shougang Hong Kong is exploring the strategic cooperation concerning the production operation and infrastructure development of the Yanjiazhuang Mine. Aiming at resuming commercial production as soon as practicable and optimising and carrying on the currently suspended infrastructure development plans, the Group is expecting to have a more professional management team and technical support at the Yanjiazhuang Mine in order to strengthen the mine management, to assist in the infrastructure development and operational planning, and to participate in enhancing the Group’s relationship with neighboring society.

Currently, the Phase Two and Phase Three expansion plans of the Group were hindered by land expropriation disputes. During the Reporting Period, the remaining construction works come to a standstill. Please refer to the paragraph headed “Iron Concentrate Business” in “Capital Expenditure and Infrastructure Development” section for further details.

Gabbro-Diabase Business

During the Reporting Period, the Group was getting prepared for the gabbro-diabase mining at the Yanjiazhuang Mine, and made good progress in stripping and preparation works. During the process, the operation of the First Quarry was not materially affected by the disturbance caused by the neighboring villages and their inhabitants. For the gabbro-diabase infrastructure construction carried out during the Reporting Period, further discussion will be provided in the paragraphs headed “Gabbro-Diabase Business” in “Capital Expenditure and Infrastructure Development” section.

Apart from the mining preparation works and the progress in infrastructure construction, the Group is currently applying for the production safety permit from the Safety Authority, and with the successful passing of the expert evaluation on gabbro-diabase production safety as conducted by the Safety Authority, the Group is in the final stage to secure the gabbro-diabase production safety permit. The Group estimates that the production of gabbro-diabase products is expected to commence within 2013.

Management Discussion and Analysis

Business and Operation Review *(Continued)*

Gabbro-Diabase Business *(Continued)*

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. After the Reporting Period, the Group entered into a sales contract on gabbro-diabase materials with a stone factory in Beijing to provide this factory with gabbro-diabase materials of designated size which can be further processed into marketable decorating materials.

Upon the commencement of the exploitation and production of gabbro-diabase, it will enrich the Group's product mix and expand its customer base, which benefits the Group's successful development in the long run.

As the Group has not yet commenced the mining and production of gabbro-diabase during the Reporting Period, no revenue was recognised during the Reporting Period.

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB4.2 million, mainly on drainage and flood control infrastructure and infrastructure constructions of gabbro-diabase business.

Iron Concentrate Business

Due to the land expropriation disputes and the disturbance around, the relevant construction of Phase Two and Phase Three expansion plans was suspended during the Reporting Period.

During the Reporting Period, the Group basically completed the drainage construction and the summer enhancement works for flood control infrastructure amounting to approximately RMB1.6 million.

Gabbro-Diabase Business

During the Reporting Period, the infrastructure in the First Quarry was basically completed and the production platform at the First Quarry is established, and the necessary machineries and equipments for exploitation and production are 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.

In the past, the Group has been preparing for the development of a gabbro-diabase processing plant on a parcel of land with an area of 50 mu (approximately 33,333m²) (the "Land") located in the Lincheng County Industrial Park in Hebei Province. In view of the delayed expansion of the gabbro-diabase business, the Group had no further development of the Land during the Reporting Period.

Management Discussion and Analysis

Capital Expenditure and Infrastructure Development *(Continued)*

Gabbro-Diabase Business *(Continued)*

At the end of the Reporting Period, the Group had paid RMB1.5 million as deposit for the Land. Recently, in August 2013, the Group reached an agreement with the administrative body of Lincheng County Industrial Park that the Group would return the Land to such administrative body, and in return the latter shall provide another parcel of land to the Group in future, as and when appropriate, for the construction of the Group's gabbro-diabase processing plant subject to entering into a further definitive agreement. It has also been agreed that part of that deposit of RMB0.75 million will be refunded to the Group, and the remaining amount shall be retained by such administrative body as a prepayment for the new land in future. It is anticipated that the above event would not have any material adverse impact to the financial position and operation of the Group.

The Group will continue to monitor the production and development progress of the gabbro-diabase products, and maintain close contact with the administrative body of Lincheng County Industrial Park. In doing so, the Group is expected to commence the construction of the gabbro-diabase processing plant as and when the scale of the gabbro-diabase business becomes commercially viable.

During the Reporting Period, the capital expenditure incurred for the gabbro-diabase business was approximately RMB1.6 million, mainly incurred from the infrastructural ancillary constructions and stripping activities at the First Quarry.

Iron Ore Resource and Reserve Estimates

During the Reporting Period, the Group only conducted trial production in limited scale at the Yanjiazhuang Mine. Therefore, the mineral resource and ore reserve estimates of the Group as at 30 June 2013 recorded under the JORC Code have no significant changes as compared to the figures as set out in the annual report 2012 of the Company.

Gabbro-Diabase Resource Estimates

In order to investigate the feasibility of utilising the gabbro-diabase resources at the Yanjiazhuang Mine, the Group has conducted an estimate for the gabbro-diabase resources. As at 30 June 2013, there was no material change of the gabbro-diabase resources at the Yanjiazhuang Mine (categorised as an Indicated Resource under the JORC Code), as compared against those disclosed in the annual report 2012 of the Company. During the Reporting Period, the mining and production of gabbro-diabase resources has yet to commence.

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. The contract between the Group and the No.11 Geological Brigade expired on 26 August 2013. The Group has not further extended the exploration and acquisition works of these two mines. The expiry of the above contract is not expected to have any material adverse impact to the financial position and operation of the Group.

Management Discussion and Analysis

Resources Exploration and Identification of New Resources *(Continued)*

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 exploitable 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 has been consistently promoting safety standards and strengthening environmental protection policies so as to develop the Group into a socially responsible enterprise with high awareness of safety concerns. During the Reporting Period, the Yanjiazhuang Mine had no record of significant safety incident.

Interim Dividend

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

Financial Review

During the Reporting Period, the Group's revenue was approximately RMB2.2 million (Nil for the Corresponding Prior Period). The increase in revenue was mainly attributable to the commencement of trial production of iron concentrates since the end of November 2012.

The net loss for the Reporting Period was approximately RMB12.8 million (loss of approximately RMB15.5 million for the Corresponding Prior Period). The loss attributable to owners of the Company amounted to approximately RMB12.6 million (loss of approximately RMB15.4 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.32 cent (basic and diluted loss per share of approximately RMB0.39 cent for the Corresponding Prior Period).

Revenue

The Group recorded revenue of approximately RMB2.2 million during the Reporting Period in relation to iron concentrate trial production. In the past few months, the neighboring villages and their inhabitants caused disturbance to the Group's mine site, and as a result of these disturbance, the mining activities were disrupted thereby forcing the Group to suspend its trial production. During the Reporting Period, the Group produced and sold 2,600 tonnes of iron concentrates.

During the Corresponding Prior Period, the Group's iron concentrate production at the Yanjiazhuang Mine was temporarily suspended, pending for the construction of the New Tailings Storage Facility. As a result, the Group did not record any revenue for the Corresponding Prior Period.

Management Discussion and Analysis

Financial Review *(Continued)*

Cost of Sales

Cost of sales mainly comprised of operating 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 during the Reporting Period amounted to approximately RMB7.0 million (Nil for the Corresponding Prior Period). The increase in cost of sales was mainly attributable to the commencement of trial production of iron concentrates since the end of November 2012. In the Corresponding Prior Period, the Group's production was suspended and therefore no cost of sales was recorded.

The cost of sales during the Reporting Period represented 318.2% of revenue (Nil for the Corresponding Prior Period). The cost of sales accounted for a relatively high proportion, mainly due to fairly limited production during the Reporting Period as affected by the mine site environment and the disturbance around.

Gross Loss and Negative Gross Profit Margin

Taking the above into consideration, the Group recorded gross loss of approximately RMB4.8 million and negative gross profit margin of -218.2% for the Reporting Period (Nil for the Corresponding Prior Period), which was mainly due to the fairly limit production during the Reporting Period. As a result, the revenue is unable to recover the cost of sales.

Selling and Distribution Costs

Selling and distribution costs, which mainly comprise of salaries of sales staff and entertainment expenses, amounted to approximately RMB0.2 million during the Reporting Period. During the Corresponding Prior Period, no selling and distribution costs were incurred, as the Group had no selling activity prior to the trial production.

Administrative Expenses

Administrative expenses slightly decreased by 1.1% to approximately RMB17.6 million during the Reporting Period, as compared to approximately RMB17.8 million for the Corresponding Prior Period. The decrease was mainly due to the recognition of production costs directly as cost of sales during the Reporting Period when the trial production commenced at the Yanjiazhuang Mine. In the Corresponding Prior Period, the relevant costs were recognised as administrative expenses due to the production suspension.

Finance Income

Finance income increased by 94.5% to approximately RMB10.7 million during the Reporting Period, as compared to approximately RMB5.5 million for the Corresponding Prior Period. The increase was mainly attributed to foreign exchange gains arising from the appreciation of RMB against HKD.

Management Discussion and Analysis

Financial Review *(Continued)*

Income Tax Expense

The income tax expense represented the current period 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 both periods.

The effective tax rate was negative and changed from -1.4% for the Corresponding Prior Period to -4.0% for the Reporting Period, 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 30 June 2013. Further details about the Group's income tax are set out in note 6 to the interim financial information.

Loss for the Period and Total Comprehensive Loss for the Period

As a result of the above, the Group's loss and total comprehensive loss for the period amounted to approximately RMB12.8 million during the Reporting Period, as compared to a loss and total comprehensive loss for the period of approximately RMB15.5 million in the Corresponding Prior Period.

Property, Plant and Equipment

As at 30 June 2013, the Group's property, plant and equipment had a net book value of approximately RMB726.9 million (approximately RMB725.2 million as at 31 December 2012). During the Reporting Period, the Group mainly completed the drainage and flood control infrastructure as well as infrastructure constructions of the gabbro-dabase business, and therefore, the property, plant and equipment remained at similar level as compared with that at 31 December 2012. The above net book value represents 45.9% of the Group's total assets as at 30 June 2013 (44.8% as at 31 December 2012).

Other Payables and Accruals

As at 30 June 2013, the Group's balances of other payables and accruals were approximately RMB68.9 million (approximately RMB85.9 million as at 31 December 2012). The decrease of 19.8% was mainly attributable to the settlement of payables to suppliers or contractors for the Group's addition of items of property, plant and equipment during the Reporting Period.

Liquidity and Cash and Cash Equivalents

As at 30 June 2013, the Group's cash and cash equivalents amounted to approximately RMB757.6 million (approximately RMB793.1 million as at 31 December 2012), representing 47.9% (49.0% as at 31 December 2012) of total assets of the Group. The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB371.2 million (approximately RMB399.9 million as at 31 December 2012). The liquidity (calculated as current assets divided by current liabilities) was approximately 1.7 (approximately 1.7 as at 31 December 2012).

During the Reporting Period, the Group paid approximately RMB16.9 million (approximately RMB61.2 million for the Corresponding Prior Period) for the settlement of payables to suppliers or contractors for the Group's addition of items of property, plant and equipment.

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 30 June 2013, the total equity of the Group amounted to approximately RMB1,090.6 million (approximately RMB1,103.0 million as at 31 December 2012).

As at 30 June 2013 and 31 December 2012, as the Group had net cash position of approximately RMB371.2 million and RMB399.9 million, respectively, it is not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 30 June 2013, the Group's HKD denominated bank borrowings amounted to HK\$485.0 million (equivalent to approximately RMB386.4 million) (HK\$485.0 million, equivalent to approximately RMB393.2 million, as at 31 December 2012). 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 30 June 2013, 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 30 June 2013, 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 Reporting Period, the Group had no material adverse exposure to foreign exchange fluctuations during the Reporting Period.

Operating Segment Information

For management purposes, the Group organised its business units based on production and services. The Group has revenue of RMB2,163,000 recognised during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: nil) and the losses for the both periods were mainly derived from the "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 periods, no geographical information is presented.

Management Discussion and Analysis

Capital Commitments

At the end of the Reporting Period, the capital commitments of the Group were detailed as below:

| | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|-------------------------------------|---|---|
| Contracted, but not provided for: | | |
| — Property, plant and equipment | 60,406 | 59,991 |
| Authorised, but not contracted for: | | |
| — Property, plant and equipment | 399,764 | 400,591 |
| — Resource fees | 310,000 | 310,000 |
| | 709,764 | 710,591 |
| Total | 770,170 | 770,582 |

Contingent Liabilities and Events after the Reporting Period

In 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. In May 2013, the local court issued a verdict to freeze two properties of the plaintiff and such subsidiary's bank accounts or other assets up to RMB36 million. Consequently, in July 2013, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court. The litigation is currently in mediation. The Group is 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 anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

Significant Investments, Acquisitions and Disposals

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

Management Discussion and Analysis

Employees and Remuneration Policies

| <i>The Group</i> | | 30 June, 2013 | |
|--|---------------------|---|--|
| Number of employees | | 341 | |
| <i>Type</i> | Number of employees | Approximate percentage to the total number of employees | |
| Production | | | |
| Iron ore mining | 53 | 15.5 | |
| Iron ore processing | 57 | 16.7 | |
| Ancillary mining activities | 70 | 20.5 | |
| Management, finance and administration | 116 | 34.0 | |
| Gabbro-diabase business | 25 | 7.4 | |
| Others | 20 | 5.9 | |
| Total | 341 | 100.0 | |

As at 30 June 2013, the Group had a total of 341 full-time employees (31 December 2012: 419 full-time employees) in Hong Kong and Mainland China (excluding independent third-party contractors engaged in mining and hauling works). The Group formulates its human resources strategy and executes recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature including geographical locations and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in accordance with their individual performances and industry practice. Appropriate training programs are also offered to ensure continuous staff training and development.

Since 2012, in view of the suspension of iron concentrate production at the Yanjiazhuang Mine and for the purpose of minimising the operating costs, certain employees at the Yanjiazhuang Mine were arranged to take leave. 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.

Management Discussion and Analysis

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 30 June 2013) RMB' million |
| Three-phase expansion plan of the Yanjiazhuang Mine | 35 | 368 | 143 |
| Payment of resource fees | 9 | 95 | — |
| Exploration and acquisition activities | 17 | 179 | — |
| Development of gabbro-diabase business | 26 | 273 | 55 |
| Repayment of shareholders' loans | 10 | 105 | 105 |
| Working capital | 3 | 32 | 32 |
| | 100 | 1,052 | 335 |

As further detailed in the section headed "Resources Exploration and Identification of New Resources", the Group's contract with the No. 11 Geological Brigade in relation to the exploration works on Gangxi Mine and Shangzhengxi Mine was expired on 26 August 2013. In this connection, the Group will continue to identify and evaluate opportunities for acquisition and merger of other reserves and resources. The Company considers that the expiry of the above contract with the No. 11 Geological Brigade would not have any material impact on the Group's estimated use of proceeds as summarised above.

Outlook and Future Plans

As mentioned above, the Group is currently in discussions with its substantial Shareholder, Shougang Hong Kong, to further explore areas of cooperation and development and work out the detailed arrangements. As part of the business cooperation strategy, both parties are studying to provide management team support to the Yanjiazhuang Mine. That support will enhance the production operation and infrastructure development, and resolve land expropriation disputes and external issues, so that the commercial production can be resumed as soon as practical, which is believed to bring in positive initiatives for the Group's business development.

The approval for production safety permit as required for the commercial production of the Group's gabbro-diabase business has now reached the final stage, and is expected to be granted in the second half of 2013. The Board estimates that the mining, production and sale of gabbro-diabase products will be able to commence once the permit is granted. It is believed that the successful resumption of commercial production of iron concentrates and the production of gabbro-diabase, that will be gradually ramped up to a commercial scale, will contribute to the Group's success in the long run.

Report On Review of Interim Financial Information



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To the Board of Directors of Newton Resources Ltd

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 15 to 28, which comprise the condensed consolidated statement of financial position of Newton Resources Ltd (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”).

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

29 August 2013

Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2013

| | Notes | Six-month period ended 30 June | |
|---|-------|--------------------------------|--------------------------------|
| | | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Revenue | 3 | 2,163 | — |
| Cost of sales | | (7,002) | — |
| Gross profit | | (4,839) | — |
| Other income and gains | | 11 | 9 |
| Selling and distribution costs | | (191) | — |
| Administrative expenses | | (17,563) | (17,765) |
| Finance income | 5 | 10,733 | 5,505 |
| Loss from operations | | (11,849) | (12,251) |
| Equity-settled share option expense | 16 | (434) | (3,049) |
| Loss before tax | 4 | (12,283) | (15,300) |
| Income tax expense | 6 | (491) | (218) |
| Loss for the period | | (12,774) | (15,518) |
| Total comprehensive loss for the period | | (12,774) | (15,518) |
| Attributable to: | | | |
| Owners of the Company | | (12,638) | (15,425) |
| Non-controlling interests | | (136) | (93) |
| | | (12,774) | (15,518) |
| LOSS PER SHARE | | | |
| ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | | | |
| Basic and diluted (RMB cent) | 8 | (0.32) | (0.39) |

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

Condensed Consolidated Statement of Financial Position

30 June 2013

| | Notes | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 726,867 | 725,188 |
| Intangible assets | | 50,088 | 50,088 |
| Prepaid land lease payments | | 3,559 | 3,610 |
| | | 780,514 | 778,886 |
| Current assets | | | |
| Inventories | | 4,449 | 4,736 |
| Prepayments, deposits and other receivables | 10 | 40,268 | 41,781 |
| Cash and cash equivalents | 11 | 757,600 | 793,146 |
| | | 802,317 | 839,663 |
| Current liabilities | | | |
| Trade payables | 12 | 440 | 427 |
| Other payables and accruals | 13 | 68,864 | 85,879 |
| Interest-bearing bank borrowings | 14 | 386,351 | 393,238 |
| Income tax payable | | 6,738 | 6,227 |
| | | 462,393 | 485,771 |
| Net current assets | | 339,924 | 353,892 |
| Total assets less current liabilities | | 1,120,438 | 1,132,778 |
| Non-current liabilities | | | |
| Long-term payables | | 29,820 | 29,820 |
| Net assets | | 1,090,618 | 1,102,958 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 15 | 331,960 | 331,960 |
| Reserves | | 756,932 | 769,136 |
| | | 1,088,892 | 1,101,096 |
| Non-controlling interests | | 1,726 | 1,862 |
| Total equity | | 1,090,618 | 1,102,958 |

Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2013

| | Attributable to owners of the Company | | | | | Total RMB'000 | Non- controlling interests RMB'000 | Total equity RMB'000 |
|---|---|--|--------------------------------|------------------------------------|----------------------------------|------------------|---|-------------------------|
| | Issued capital RMB'000 note 15 | Share premium account RMB'000 | Capital reserves RMB'000 | Share option reserve RMB'000 | Accumulated losses RMB'000 | | | |
| (Unaudited) | | | | | | | | |
| At 1 January 2013 | 331,960 | 719,871 | 80,864 | 8,399 | (39,998) | 1,101,096 | 1,862 | 1,102,958 |
| Loss for the period | — | — | — | — | (12,638) | (12,638) | (136) | (12,774) |
| Other comprehensive income for the period | — | — | — | — | — | — | — | — |
| Total comprehensive loss for the period | — | — | — | — | (12,638) | (12,638) | (136) | (12,774) |
| Equity-settled share option arrangements (note 16) | — | — | — | 434 | — | 434 | — | 434 |
| At 30 June 2013 | 331,960 | 719,871* | 80,864* | 8,833* | (52,636)* | 1,088,892 | 1,726 | 1,090,618 |
| (Unaudited) | | | | | | | | |
| At 1 January 2012 | 331,960 | 719,871 | 80,864 | 5,743 | (4,370) | 1,134,068 | 2,113 | 1,136,181 |
| Loss for the period | — | — | — | — | (15,425) | (15,425) | (93) | (15,518) |
| Other comprehensive income for the period | — | — | — | — | — | — | — | — |
| Total comprehensive loss for the period | — | — | — | — | (15,425) | (15,425) | (93) | (15,518) |
| Equity-settled share option arrangements (note 16) | — | — | — | 3,049 | — | 3,049 | — | 3,049 |
| At 30 June 2012 | 331,960 | 719,871 | 80,864 | 8,792 | (19,795) | 1,121,692 | 2,020 | 1,123,712 |

* These reserve accounts comprise the consolidated reserves of RMB756,932,000.

Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2013

| | Six-month period ended 30 June | |
|--|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Net cash flows used in operating activities | (14,102) | (16,878) |
| Net cash flows used in investing activities | (16,885) | (61,181) |
| Net cash flows used in financing activities | (4,552) | (4,634) |
| Net decrease in cash and cash equivalents | (35,539) | (82,693) |
| Cash and cash equivalents at beginning of period | 793,146 | 919,399 |
| Effect of foreign exchange rate changes, net | (7) | (144) |
| Cash and cash equivalents at end of period | 757,600 | 836,562 |



Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

During the period, 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 and mining, processing and sale of gabbro-diabase products in the People’s Republic of China (the “PRC” or “Mainland China”).

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the “Group”) for the six-month period ended 30 June 2013 (the “Interim Financial Information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2012.

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012, except for the adoption of new accounting standards and interpretations (which includes all new International Financial Reporting Standards, IASs and Interpretations issued by the International Accounting Standards Board, collectively the “IFRSs”) that are relevant and first effective for the current accounting period of the Company, as summarised below:

| | |
|------------------|---|
| IFRS 10 | <i>Consolidated Financial Statements</i> |
| IFRS 13 | <i>Fair Value Measurement</i> |
| IAS 1 Amendments | Amendments to IAS 1 <i>Presentation of Financial Statements</i> — <i>Presentation of Items of Other Comprehensive Income</i> |
| IFRIC-Int 20 | <i>Stripping Costs in the Production Phase of a Surface Mine</i> |

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

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

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

3. Revenue and Operating Segment Information

Revenue represents 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 production and services. The Group has revenue of RMB2,163,000 recognised during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: nil) and the losses for the both periods were mainly derived from the “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 periods, no geographical information is presented.

4. Loss before Tax

The Group’s loss before tax is arrived at after charging:

| | Six-month period ended 30 June | |
|--|-----------------------------------|--------------------------------|
| | 2013 RMB’000 (Unaudited) | 2012 RMB’000 (Unaudited) |
| Cost of inventories sold | 7,002 | — |
| Depreciation of items of property, plant and equipment | 2,563 | 3,477 |
| Amortisation of prepaid land lease payments | 51 | 51 |

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

5. Finance Income

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

| | Six-month period ended 30 June | |
|-------------------------------------|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Interest on bank borrowings | (4,499) | (4,931) |
| Less: Interest capitalised | — | 4,931 |
| | (4,499) | — |
| Interest income | 8,583 | 7,846 |
| Bank charges | (170) | (15) |
| Net foreign exchange gains/(losses) | 6,819 | (2,326) |
| Finance income, net | 10,733 | 5,505 |

During the six-month period ended 30 June 2013, no interest expense was capitalised (six-month period ended 30 June 2012: a capitalisation rate of 2.52%).

6. 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 six-month periods ended 30 June 2013 and 2012.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the six-month periods ended 30 June 2013 and 2012.

| | Six-month period ended 30 June | |
|------------------------------|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Current tax — Mainland China | | |
| Charge for the period | 491 | 218 |

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

7. Dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: nil).

8. Loss per Share Attributable to Ordinary Equity Holders of The Company

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the periods ended 30 June 2013 and 2012.

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

| | Six-month period ended 30 June | |
|---|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Loss | | |
| Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation | (12,638) | (15,425) |
| Shares | '000 | '000 |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation | 4,000,000 | 4,000,000 |

The Pre-IPO share options of the Company had an anti-dilutive effect on the basic loss per share amount for the six-month periods ended 30 June 2013 and 2012 and were ignored in the calculation of diluted loss per share.

9. Property, Plant and Equipment

During the six-month period ended 30 June 2013, the Group's addition of items of property, plant and equipment with an aggregate cost amounted to approximately RMB4,242,000 (six-month period ended 30 June 2012: RMB35,235,000), mainly represented the increase in the Group's fixtures and construction in progress. No property, plant and equipment was disposed of during the six-month periods ended 30 June 2013 and 2012.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

10. Prepayments, Deposits and Other Receivables

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

| | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|--|---|---|
| Advances to suppliers | 23,844 | 23,636 |
| Other tax receivables | 11,580 | 11,512 |
| Deposits | 3,476 | 3,073 |
| Bank interest receivables | 693 | 2,477 |
| Prepaid land lease payments, current portion | 101 | 101 |
| Others | 574 | 982 |
| | 40,268 | 41,781 |

11. Cash and Cash Equivalents

The Group's cash and cash equivalents as at 30 June 2013 and 31 December 2012 are mainly time deposits and denominated in Renminbi.

12. Trade Payables

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

| | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|--------------------|---|---|
| Within 6 months | 191 | 267 |
| 6 months to 1 year | 90 | 3 |
| Over 1 year | 159 | 157 |
| | 440 | 427 |

13. 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 RMB40,761,000 (31 December 2012: RMB54,084,000).

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

14. Interest-Bearing Bank Borrowings

| | 30 June 2013 | | 31 December 2012 | |
|---|--------------------------------|------------------------|--------------------------------|----------------------|
| | Effective interest rate (%) | RMB'000 (Unaudited) | Effective interest rate (%) | RMB'000 (Audited) |
| Current | | | | |
| Bank borrowings unsecured and repayable on demand | 2.21-2.23 | 386,351 | 2.37-2.40 | 393,238 |

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.

15. Issued Capital

Shares

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|--|--|--|
| Authorised: | | |
| 10,000,000,000 ordinary shares of HK\$0.1 each | 1,000,000 | 1,000,000 |
| | RMB'000 (Unaudited) | RMB'000 (Audited) |
| Issued and fully paid: | | |
| 4,000,000,000 (2012: 4,000,000,000) ordinary shares of HK\$0.1 each, totally HK\$400,000,000 | 331,960 | 331,960 |

Share options

Details of the Company's share option schemes are included in note 16 to the Interim Financial Information.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

16. Share Option Schemes

(a) Pre-IPO share option scheme

The Company has adopted a Pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) approved on 25 January 2011, and the grant was completed on 28 January 2011.

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

| | Number of options '000 (Unaudited) |
|-----------------------------|---|
| At 1 January 2013 | 49,500 |
| Forfeited during the period | (500) |
| At 30 June 2013 | 49,000 |

In respect of the Pre-IPO share options of the Company, the Group recognised a share option expense of RMB434,000 during the six-month period ended 30 June 2013 (six-month period ended 30 June 2012: RMB3,049,000).

The Company had 49,000,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented 1.2% of the Company’s shares in issue as at the end of the reporting period and at the date of approval of the Interim Financial Information.

(b) 2010 share option scheme

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

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

17. Operating Lease Arrangements

As lessee

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

As at 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|---|---|---|
| Within one year | 1,626 | 2,652 |
| In the second to fifth years, inclusive | 729 | — |
| | 2,355 | 2,652 |

18. Commitments

In addition to the operating lease commitments detailed in note 17 above, the Group had the following capital commitments at the end of the reporting period:

| | 30 June 2013 RMB'000 (Unaudited) | 31 December 2012 RMB'000 (Audited) |
|-------------------------------------|---|---|
| Contracted, but not provided for: | | |
| — Property, plant and equipment | 60,406 | 59,991 |
| Authorised, but not contracted for: | | |
| — Property, plant and equipment | 399,764 | 400,591 |
| — Resource fees | 310,000 | 310,000 |
| | 709,764 | 710,591 |
| Total | 770,170 | 770,582 |

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

19. Related Party Transactions

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

(a) Related party transactions

| | Six-month period ended 30 June | |
|--|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Leasing of office premises from a subsidiary of a substantial shareholder of the Company | | |
| New World Tower Company Limited | 1,043 | 928 |
| Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company | | |
| CiF Solutions Ltd | 87 | — |

(b) Compensation of key management personnel

| | Six-month period ended 30 June | |
|--|-----------------------------------|--------------------------------|
| | 2013 RMB'000 (Unaudited) | 2012 RMB'000 (Unaudited) |
| Fees | 527 | 508 |
| Salaries, bonuses, allowances and benefits in kind | 1,458 | 2,140 |
| Equity-settled share option expense | 148 | 795 |
| | 2,133 | 3,443 |

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2013

20. Fair Value Measurement

The financial assets of the Group mainly include cash and cash equivalents, deposits and other receivables, which are accounted for as loans and receivables. Financial liabilities of the Group mainly include trade payables, other payables and accruals, interest-bearing bank borrowings and long-term payables, which are accounted for using amortised cost. The carrying amounts of the Group's financial assets and financial liabilities closely approximate to their fair values.

21. Contingent Liabilities and Events after the Reporting Period

In 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. In May 2013, the local court issued a verdict to freeze two properties of the plaintiff and such subsidiary's bank accounts or other assets up to RMB36 million. Consequently, in July 2013, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court. The litigation is currently in mediation. The Group is 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 anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

22. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 29 August 2013.

Other Information

Corporate Governance Practices

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in 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 CG Code during the Reporting Period, except for the Code Provision A.6.7 of the CG Code as noted hereunder.

Under the 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 7 June 2013.

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.

During the Reporting Period, the Company did not have a chief executive officer and the function is divided among the remaining executive Directors.

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

Model Code for Securities Transactions by Directors

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

Other Information

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the annual report 2012 of the Company are set out below:

1. Dr. Cheng Kar Shun, a non-executive Director, was appointed as a non-executive director of SJM Holdings Limited (stock code: 880), which is a listed public company in Hong Kong, on 31 May 2013.
2. Mr. Jiao Ying, an executive Director and chief financial officer of the Company, was awarded Certified Management Accountant by the Institute of Management Accountants (IMA) on 29 May 2013.
3. Mr. Li Yuelin, an executive Director, entered into a service contract with the Company on 27 March 2013 for a fixed term of three years commencing from 9 April 2013, subject to retirement by rotation and re-election at AGMs pursuant to the Articles.
4. Mr. Lee Kwan Hung, an independent non-executive Director, was appointed as an independent non-executive director of Landsea Green Properties Co., Ltd. (formerly known as Shenzhen High-Tech Holdings Limited, stock code: 106), which is a listed public company in Hong Kong, on 31 July 2013.

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.

Audit Committee

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

Other Information

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

As at 30 June 2013, the interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Underlying Shares — Share Options

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

| Name | Date of grant | Exercisable period (Note) | Number of share options | | | | Balance as at 30.06.13 | Exercise price per share HK\$ |
|--|-----------------|------------------------------|-------------------------|--|----------------------------|--------------------------|------------------------|----------------------------------|
| | | | Balance as at 01.01.13 | Exercised during the period ⁽²⁾ | Adjusted during the period | Lapsed during the period | | |
| Executive Directors | | | | | | | | |
| Yu Shuxian | 28 January 2011 | (1) | 4,000,000 | — | — | — | 4,000,000 | 1.75 |
| Jiao Ying | 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 |
| 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 |
| | | | 16,800,000 | — | — | — | 16,800,000 | |

Other Information

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

(Continued)

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

Notes:

- (1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.
- (2) No share option of the Company was exercised by the Directors during the Reporting Period.
- (3) The cash consideration paid by each Director for grant of the share options is HK\$1.00.

Save as disclosed above, as at 30 June 2013, 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 can 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 the Reporting Period, movements of the share options granted under the Pre-IPO Share Option Scheme are as follows:

(i) Share Option Movement of Directors

Details of 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.

Other Information

Share Option Schemes *(Continued)*

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

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

| Name | Date of grant | Exercisable period (Note) | Number of share options | | | | Balance as at 30.06.13 | Exercise price per share HK\$ |
|-----------------|-----------------|------------------------------|-------------------------|--|----------------------------|--------------------------|------------------------|----------------------------------|
| | | | Balance as at 01.01.13 | Exercised during the period ⁽²⁾ | Adjusted during the period | Lapsed during the period | | |
| 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 |
| | | | 6,000,000 | — | — | — | 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 the Reporting Period.
- (3) The cash consideration paid by each of the senior management for grant of the share options is HK\$1.00.

Other Information

Share Option Schemes *(Continued)*

(iii) Share Option Movements of Other Eligible Participants

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

| Date of grant | Exercisable period (Note) | Number of share options | | | | Balance as at 30.06.13 | Exercise price per share HK\$ |
|-----------------|------------------------------|---------------------------|--|----------------------------|--------------------------|------------------------|----------------------------------|
| | | Balance as at 01.01.13 | Exercised during the period ⁽²⁾ | Adjusted during the period | Lapsed during the period | | |
| 28 January 2011 | (1) | 26,700,000 ⁽⁴⁾ | — | — | 500,000 | 26,200,000 | 1.75 |

Notes:

- (1) 40% of the share options are exercisable from 4 July 2012 to 6 July 2015 while the remaining 60% of the share options are divided into 2 equal tranches exercisable from 4 July 2013 and 4 July 2014 respectively to 6 July 2015.
- (2) No share option of the Company was exercised by the grantees during the Reporting Period.
- (3) The cash consideration paid by each grantee for grant of the share options is HK\$1.00.
- (4) Among the total, an aggregate of 4,500,000 share options were held by the then connected persons (has the meaning ascribed to it under the Listing Rules) of the Company.

Other Information

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

Long Position in Shares

As at 30 June 2013, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executives of the Company) who had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO are as follows:

| Name of Shareholder | Nature of interest | Total number of Shares held | Approximate percentage of total issued Shares |
|---|------------------------------------|-----------------------------|---|
| Cheng Yu Tung Family (Holdings) Limited ⁽¹⁾ | Interest of controlled corporation | 1,920,000,000 | 48.00% |
| Cheng Yu Tung Family (Holdings II) Limited ⁽²⁾ | Interest of controlled corporation | 1,920,000,000 | 48.00% |
| Chow Tai Fook Capital Limited ("CTF Capital") ⁽³⁾ | Interest of controlled corporation | 1,920,000,000 | 48.00% |
| Chow Tai Fook (Holding) Limited ("CTF Holding") ⁽⁴⁾ | Interest of controlled corporation | 1,920,000,000 | 48.00% |
| Chow Tai Fook Enterprises Limited ("CTF Enterprises") ⁽⁵⁾ | Interest of controlled corporation | 1,920,000,000 | 48.00% |
| 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% |

Other Information

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

(Continued)

Long Position in Shares *(Continued)*

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% direct interest in CTF Capital and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.
- (2) Cheng Yu Tung Family (Holdings II) Limited holds approximately 46.65% direct interest in CTF Capital and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.
- (3) CTF Capital holds approximately 74.07% direct interest in CTF Holding and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Holding.
- (4) CTF Holding holds 100% direct interest in CTF Enterprises and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Enterprises.
- (5) CTF Enterprises, together with its subsidiaries, hold more than one-third of the issued shares of NWD and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.
- (6) NWD holds approximately 61.10% direct interest in NWS and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.
- (7) NWS holds a 100% direct interest in NWS Resources, 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 30 June 2013, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

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

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

Glossary of Terms

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

| | |
|---------------------------------|---|
| “AGM” | annual general meeting |
| “Articles” | the articles of association of the Company |
| “Board” | the board of Directors |
| “CG Code” | the Corporate Governance Code contained in Appendix 14 of the Listing Rules |
| “Company” | Newton Resources Ltd |
| “Corresponding Prior Period” | the six-month period ended 30 June 2012 |
| “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 |
| “Group” | the Company and its subsidiaries |
| “HK\$” or “HKD” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “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 |
| “Mt” | megatonne(s) |
| “m ² ” | square metre(s) |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules |
| “New Tailings Storage Facility” | the new tailings storage facility of the Group, being constructed as part of Phase Two expansion plan |
| “NWD” | New World Development Company Limited |
| “NWS” | NWS Holdings Limited |

Glossary of Terms

| | |
|------------------------------|---|
| “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 |
| “Reporting Period” | the six-month period ended 30 June 2013 |
| “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-dabase 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 |
| “tonne(s)” | equal to 1,000 kilograms |
| “tpa” | tonne(s) per annum |
| “US\$” or “USD” | the United States dollar, the lawful currency of the United States of America |
| “Yanjiashuang Mine” | Lincheng Xingye Mineral Resources Co., Ltd Yanjiashuang Mine (臨城興業礦產資源有限公司閆家莊鐵礦), an iron ore mine located in Yanjiashuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC |

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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