新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1231)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The Board wishes to announce the audited consolidated annual results of the Group for FY 2014 together with the comparative figures for FY 2013 as follows:–

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014

	Notes	**2014** **RMB'000**	2013 RMB'000
Revenue	*3*	**1,263**	2,163
Cost of sales		**(1,065)**	(7,002)
Gross profit		**198**	(4,839)
Other income and gains		**–**	11
Selling and distribution costs		**(60)**	(191)
Administrative expenses		**(51,164)**	(47,806)
Finance income	*5*	**5,212**	18,538
Loss from operations		**(45,814)**	(34,287)
Equity-settled share option expense		**(206)**	(615)
Loss before tax	*4*	**(46,020)**	(34,902)
Income tax expense	*6*	**(422)**	(1,026)
Loss for the year		**(46,442)**	(35,928)
Total comprehensive loss for the year		**(46,442)**	(35,928)
Attributable to:			
Owners of the Company		**(46,116)**	(35,519)
Non-controlling interests		**(326)**	(409)
		(46,442)	(35,928)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	*8*	**(1.15)**	(0.89)

Details of the dividends payable and proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	9	**713,835**	712,642
Intangible assets		**49,999**	50,088
Prepaid land lease payments		**3,408**	3,509
		767,242	766,239
Current assets			
Inventories		**7,969**	4,504
Prepayments, deposits and other receivables	10	**45,238**	41,549
Cash and bank balances		**601,855**	730,888
		655,062	776,941
Current liabilities			
Trade payables	11	**361**	268
Other payables and accruals	12	**61,100**	64,088
Interest-bearing bank borrowings		**315,560**	381,307
Income tax payable		**7,634**	7,212
		384,655	452,875
Net current assets		**270,407**	324,066
Total assets less current liabilities		**1,037,649**	1,090,305
Non-current liabilities			
Long-term payables		**15,000**	22,660
Net assets		**1,022,649**	1,067,645
Equity			
Equity attributable to owners of the Company			
Share capital		**331,960**	331,960
Reserves		**688,322**	734,232
		1,020,282	1,066,192
Non-controlling interests		**2,367**	1,453
Total equity		**1,022,649**	1,067,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital *RMB'000*	**Share premium account** *RMB'000*	**Capital reserves** *RMB'000*	**Share option reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
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 year	–	–	–	–	(35,519)	(35,519)	(409)	(35,928)
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(35,519)	(35,519)	(409)	(35,928)
Equity-settled share option arrangements	–	–	–	615	–	615	–	615
At 31 December 2013 and 1 January 2014	**331,960**	**719,871**	**80,864**	**9,014**	**(75,517)**	**1,066,192**	**1,453**	**1,067,645**
Loss for the year	–	–	–	–	**(46,116)**	**(46,116)**	**(326)**	**(46,442)**
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	**(46,116)**	**(46,116)**	**(326)**	**(46,442)**
Capital contribution from non-controlling interests	–	–	–	–	–	–	**1,240**	**1,240**
Equity-settled share option arrangements	–	–	–	**206**	–	**206**	–	**206**
At 31 December 2014	**331,960**	**719,871**	**80,864**	**9,220**	**(121,633)**	**1,020,282**	**2,367**	**1,022,649**

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Loss before tax		**(46,020)**	(34,902)
Adjustments for:			
Depreciation of items of property, plant and equipment	4	**10,458**	6,218
Amortisation of prepaid land lease payments	4	**101**	101
Amortisation of intangible assets	4	**89**	–
Write-down of inventories to net realisable value	4	**807**	–
Loss on disposal/write-off of items of property, plant and equipment	4	**–**	9,294
Finance income, net	5	**(5,212)**	(18,538)
Equity-settled share option expense		**206**	615
Cash flows before working capital changes		**(39,571)**	(37,212)
(Increase)/decrease in inventories		**(4,272)**	232
Increase in prepayments, deposits and other receivables		**(416)**	(148)
Increase in restricted bank deposits		**(2)**	(1,188)
Increase/(decrease) in trade payables		**93**	(159)
Increase/(decrease) in other payables and accruals		**783**	(9,415)
Cash used in operations		**(43,385)**	(47,890)
Interest received		**16,259**	21,144
Bank charges paid		**(175)**	(177)
Corporate income tax paid		**–**	(41)
Net cash flows used in operating activities		**(27,301)**	(26,964)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(17,628)**	(20,049)
Addition of intangible assets		**(7,160)**	(7,160)
Net cash flows used in investing activities		**(24,788)**	(27,209)
Cash flows from financing activities			
Repayment of bank borrowings		**(68,805)**	–
Interest paid		**(9,300)**	(9,189)
Capital contribution from non-controlling interests		**1,240**	–
Net cash flows used in financing activities		**(76,865)**	(9,189)
Net decrease in cash and cash equivalents		**(128,954)**	(63,362)
Cash and cash equivalents at beginning of year		**729,700**	793,146
Effect of foreign exchange rate changes, net		**(81)**	(84)
Cash and cash equivalents at end of year		**600,665**	729,700

ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS

		2014 RMB'000	2013 RMB'000
Cash and bank balances		**601,855**	730,888
Restricted bank deposits		**(1,190)**	(1,188)
Cash and cash equivalents at end of year		**600,665**	729,700

Notes:

1. CORPORATE INFORMATION

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, processing and sale of iron concentrates and gabbro-diabase and stone products in the PRC.

2. BASIS OF PREPARATION

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. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap.622), "Accounts and Audit", which are set out in sections 76 to 87 of schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC-Int 21	Levies
Amendment to IFRS 13 included in Annual Improvements 2010-2012 Cycle	Short-term Receivables and Payables
Amendment to IFRS 1 included in Annual Improvements 2011-2013 Cycle	Meaning of Effective IFRSs

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

2.2 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 9	Financial Instruments[4]
Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entitles: Applying the Consolidation Exception[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
IFRS 14	Regulatory Deferral Accounts[5]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[2]
Amendments to IAS 19	Defined Benefit Plans: Employee contributions[1]
Amendments to IAS 27 (2011)	Equity Method in Separate Financial Statements[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

The Group has already commenced an assessment of the impact of these new or revised standards and amendments to standards, 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.

In addition, the Hong Kong Companies Ordinance (Cap.622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. REVENUE AND 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 is organised into business units based on their products and services and has two reportable operating segments, the "Iron Concentrates" segment and the "Gabbro-Diabase" segment.

Iron Concentrates – mining, processing and sale of iron concentrates

Gabbro-Diabase – mining, processing and sale of gabbro-diabase and stones products

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets, which are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, income tax payable and other unallocated head office and corporate liabilities, which are managed on a group basis.

The following is an analysis of the Group's revenue and results by operating segment:

	Iron Concentrates *RMB'000*	Gabbro-Diabase *RMB'000*	Total *RMB'000*
Year ended 31 December 2014			
Segment Revenue:			
Sales to external customers	–	1,263	1,263
Segment Results	(11,451)	(8,473)	(19,924)
Reconciliation:			
Interest income			18,004
Corporate and other unallocated expenses			(34,622)
Interest expenses			(9,478)
Loss before tax			(46,020)
Segment assets	684,587	107,742	792,329
Corporate and other unallocated assets			629,975
Total assets			1,422,304
Segment liabilities	41,943	26,807	68,750
Corporate and other unallocated liabilities			330,905
Total liabilities			399,655
Other segment information:			
Write-down of inventories to net realisable value	–	807	807
Depreciation and amortisation	8,336	1,076	9,412
Corporate and other unallocated depreciation			1,236
			10,648
Capital expenditure	2,990	8,535	11,525
Corporate and other unallocated capital expenditure			126
			11,651

	Iron Concentrates *RMB'000*	Gabbro-Diabase *RMB'000*	Total *RMB'000*
Year ended 31 December 2013			
Segment Revenue:			
Sales to external customers	2,163	–	2,163
Segment Results	(24,652)	(632)	(25,284)
Reconciliation:			
Interest income			19,054
Corporate and other unallocated expenses			(16,609)
Interest expenses			(12,063)
Loss before tax			(34,902)
Segment assets	691,411	93,079	784,490
Corporate and other unallocated assets			758,690
Total assets			1,543,180
Segment liabilities	48,812	31,289	80,101
Corporate and other unallocated liabilities			395,434
Total liabilities			475,535
Other segment information:			
Loss on disposal/write-off of items of property, plant and equipment	9,294	–	9,294
Depreciation and amortisation	4,713	527	5,240
Corporate and other unallocated depreciation			1,079
			6,319
Capital expenditure	2,815	1,651	4,466

Information about major customers

During the year ended 31 December 2014, there was one customer (2013: one cusomter) with whom transaction has exceeded 10% of the Group's revenue, representing revenue of RMB989,000 (2013: RMB2,163,000).

Geographical segment

As the Group's revenue from the external customers and the majority of the Group's non-current assets are located in the PRC in both years, no geographical information is presented.

4. LOSS BEFORE TAX

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories sold	**1,065**	7,002
Depreciation of items of property, plant and equipment	**10,458**	6,218
Minimum lease payments under operating leases for office tenancy	**2,105**	2,595
Amortisation of prepaid land lease payments	**101**	101
Amortisation of intangible assets	**89**	–
Auditors' remuneration (including out-of-pocket expenses)	**1,643**	1,700
Write-down of inventories to net realisable value	**807**	–
Loss on disposal/write-off of items of property, plant and equipment	**–**	9,294

5. FINANCE INCOME

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

	2014	2013
	RMB'000	*RMB'000*
Interest income	**18,004**	19,054
Interest on bank borrowings	**(7,841)**	(8,776)
Other borrowing costs	**(1,637)**	(3,287)
Net foreign exchange (losses)/gains	**(3,139)**	11,724
Bank charges	**(175)**	(177)
Finance income, net	**5,212**	18,538

6. INCOME TAX

The provision for 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 2014 and 2013.

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 2014 and 2013.

	2014	2013
	RMB'000	*RMB'000*
Current tax – Mainland China		
Charge for the year	**422**	1,026

7. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: 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 year attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the years ended 31 December 2014 and 2013.

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

	2014	2013
	RMB'000	*RMB'000*
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(46,116)**	(35,519)
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year 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 years ended 31 December 2014 and 2013 and were ignored in the calculation of diluted loss per share.

9. PROPERTY , PLANT AND EQUIPMENT

	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 2013	698	5,144	53,621	81,179	596,088	736,730
Additions	–	1,265	494	–	2,707	4,466
Transfer in/(out)	61,541	1,173	43,730	76,118	(182,562)	–
Disposals/write-off	–	(1,012)	(7,246)	(2,647)	(1,944)	(12,849)
At 31 December 2013 and 1 January 2014	62,239	6,570	90,599	154,650	414,289	728,347
Additions	–	143	1,016	–	10,492	11,651
Transfer in/(out)	–	–	6,832	9,697	(16,529)	–
Disposals/write-off	–	(989)	–	–	–	(989)
At 31 December 2014	62,239	5,724	98,447	164,347	408,252	739,009
Accumulated depreciation:						
At 1 January 2013	(65)	(1,350)	(7,560)	(2,567)	–	(11,542)
Provided for the year	(1,276)	(1,241)	(3,693)	(8)	–	(6,218)
Disposals/write-off	–	818	1,237	–	–	2,055
At 31 December 2013 and 1 January 2014	(1,341)	(1,773)	(10,016)	(2,575)	–	(15,705)
Provided for the year	(2,952)	(1,497)	(5,996)	(13)	–	(10,458)
Disposals/write-off	–	989	–	–	–	989
At 31 December 2014	(4,293)	(2,281)	(16,012)	(2,588)	–	(25,174)
Net carrying amount:						
At 31 December 2014	57,946	3,443	82,435	161,759	408,252	713,835
At 31 December 2013	60,898	4,797	80,583	152,075	414,289	712,642

10. PREPAYMENTS , DEPOSITS AND OTHER RECEIVABLES

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

	2014	2013
	RMB'000	*RMB'000*
Advances to suppliers	**24,624**	23,096
Other tax receivables	**12,308**	11,743
Deposits	**3,879**	3,528
Bank interest receivables	**2,132**	387
Prepaid land lease payments, current portion	**101**	101
Others	**2,194**	2,694
	45,238	41,549

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.

11. 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:

	2014	2013
	RMB'000	*RMB'000*
Within 6 month	**144**	94
6 months to 1 year	**45**	19
Over 1 year	**172**	155
	361	268

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

12. OTHER PAYABLES AND ACCRUALS AND LONG-TERM PAYABLES

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 RMB33,464,000 (2013: RMB38,038,000).

Except for the gabbro-diabase resources fees payable which is unsecured and bears interest at the RMB loan prime rate, other payables are unsecured and non-interest-bearing.

13. CONTINGENT LIABILITIES

(a) Since March 2013, a subsidiary of the Group was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. In May 2013, a local court in the PRC issued a verdict to freeze (i) two properties of the plaintiff and (ii) the bank accounts or other assets up to RMB36 million of the Group's subsidiary, pending the outcome of the case. Consequently, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court as of 31 December 2014. In November 2013, the local court has designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that have been completed by the plaintiff. During the year ended 31 December 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing will be held in this respect. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. Such counterclaim is currently pending the decision of the relevant court to assess the ratification costs to the completed construction work.

Based on the available information and the advice of the Group's PRC legal counsels on the case, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

(b) During the year, a subsidiary of the Group was involved in litigation as a defendant in respect of the costs and damages arising out of the ordinary course of business of the Group. The Group has successfully defended the case in the first hearing. The plaintiff has filed an appeal to the court in November 2014. The Group is proactively responding to the case in accordance with the advice of the Group's PRC legal counsels.

As the plaintiff has failed to adduce new evidence for the appeal so far, it is anticipated that the appeal is less likely to succeed and therefore would not have any material adverse impact to the financial position and operations of the Group.

CHAIRMAN'S STATEMENT

In 2014, the management has been proactively seeking new business opportunities and exploring the markets of various gabbro-diabase products. During the Reporting Period, the Group commenced the crushed stone processing business with the support and mediation of the local government. It has completed the crushed stone production facilities during the year to seize the opportunity from the development of nearby highway infrastructure which contributed to a new revenue stream and cash flow to the Group. During the Reporting Period, the Group recorded revenue of approximately RMB1.3 million from the sale of crushed stones and gabbro-diabase products.

However, disturbances caused by neighbouring villagers to our mine site have not been satisfactorily resolved, thus preventing the iron concentrate production at the Yanjiazhuang Mine from resuming during the Reporting Period. The management is persistently making every effort to resolve the issues with the villages and local government as soon as practicable with an aim to resume the iron concentrate production in a timely and smooth manner and under an economically viable scale pending the resolution of the local issues and subject to necessary consents.

Add to that, the economy growth in the PRC has been slowing down in 2014 despite the commitment of the PRC government towards urbanisation and sustainability. The growing environmental concerns, oversupply situation in iron mining industry and the substantial decrease in iron concentrate prices have posed greater uncertainty over the development of the Group's iron concentrate business in the medium to long run.

In particular, the growing concern of the PRC authorities over deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, could lead to further tightening of environmental policies towards heavily polluting industries including, among others, resource exploitation, steelmaking, cement production. To mitigate the potential impacts of such policies on our businesses, I have instructed our management to keep abreast of the latest regulatory requirements and changes and adopt appropriate environmental and other measures from time to time.

Going forward, building on our initial effort in starting up the gabbro-diabase business, the Group will progressively increase its investment to bring this new business to a commercial scale. Apart from the above businesses, the Group will cautiously explore the merger and acquisition opportunities to achieve sustainable development.

Regretfully, Mr. Jiao Ying is leaving the Group. Taking this opportunity, I would like to express my sincere gratitude to Mr. Jiao for his valuable contributions to the Group, including our successful listing on the Stock Exchange. And, I, jointly with our Board members would like to wish him every success in all pursuits in future.

In closing, I would like to express my deepest gratitude to my fellow Board members for their invaluable counsel to the Group. My heartfelt appreciation must also go to the management team and staff for their dedication and commitment in this challenging environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2014, the annual growth rate of the PRC's GDP decreased to 7.4%, which was the lowest since 1990, signaling a further slowdown, as well as a "new normal", in the economic growth in Mainland China.

The iron ore market declined significantly in 2014 with average decreases of around 35% and 40% to 50% in domestic and imported iron ore market prices, respectively. As the domestic economy slowed down and the PRC property market was still surrounded by a conservative atmosphere, domestic demand for steel has been on a downward swing. Steel production in Mainland China is expected to reduce further and the adjustments brought by the oversupply of iron ores will continue for a certain period, given that the PRC government will further implement policies and measures to optimise the economic structure and restrict or even shut down heavily polluting steel mills with low technology levels. In view of the environmental policies of the PRC government towards heavily polluting industries such as mining, it is anticipated that the steel sector will need to increase its investment in green initiatives to comply with the relevant environmental protection requirements stipulated by the PRC government. Add to that the shortage of capital in the country and the depressed situation of the industry which cannot be alleviated effectively in the near future, it is highly likely that the prices of iron ores will dwindle further in the short term.

Gabbro-diabase is a kind of high-end granite stone building materials used by the construction industry and has price advantages over synthetic stone materials. In the past decade, the stone material industry in the PRC has been developing rapidly. Domestic consumption of and demand for stone materials have been on the rise driven by their wide applications and the favourable national policies. Nevertheless, there are issues associated with the ongoing development, such as fragmented industry, lack of scale, substandard products and intensive price competition in some products, which have significant effects on the industry. As such, a consolidation of the stone material sector will possibly come in the next few years.

In 2014, the demand for gabbro-diabase products from the construction and decoration industry has decreased as the PRC property market was still surrounded by a conservative atmosphere. However, the nearby high-speed rail and highway infrastructure developments are creating an increasing demand for crushed stones as highway paving and railway ballast which are expected to present favourable market opportunities for the Group's gabbro-diabase business development.

Business Review

In 2014, the Group maintained close communication with the local government and has obtained its staunch support. However, local issues such as disputes over land expropriation have not been fully resolved, thus preventing the Group from resuming its trial production of iron concentrates at the Yanjiazhuang Mine.

During the Reporting Period, the Group commenced the crushed stone processing business with the support and mediation of the local government so as to further ease local tension as well as to promote local employment and economic development. The Group has also been actively developing a wide variety of gabbro-diabase products with an aim of creating a new cash flow.

Iron Concentrate Business

During the Reporting Period, disturbances caused by neighbouring villages and their inhabitants to our mine site have been mitigated to a certain extent through the mediation by local government authorities and village representatives. However, disputes over land expropriation and external problems have not been fully resolved, thus preventing the Group from resuming its trial production of iron concentrates.

In order to fully resolve the local issues such as disputes over land expropriation as soon as practicable, the Group has strengthened its communication with local government authorities and neighbouring villages by recruiting talents who are experienced in local affairs to join the management team. In addition, the Group has recruited local villagers to produce crushed stones and gabbro-diabase products in order to create job opportunities for, as well as foster a closer relationship with, and ease the tension in, the neighbouring areas.

Nevertheless, in view of the heavy pollution problem in Beijing and its neighbouring areas, it is anticipated that the PRC government will further tighten its environmental policies towards heavily polluting industries, such as mining, in Hebei Province, which might adversely affect our iron concentrate business. With respect to the renewal of production safety permit for iron mining, the Group has submitted the required documents to the relevant authorities for approval, and the representatives from the Safety Authority have confirmed the Group's production safety qualification after conducting on-site inspection and assessment. The Group is actively following up on the progress of the permit application and issuance. However, given the growing national concern over pollution, the government authorities would require time to coordinate and arrange the issuance of the permit, and the timing for the Group to obtain the permit could not be reliably anticipated. Furthermore, under the current international and domestic economic conditions, iron concentrate prices have seen a downward trend during the year which have presented greater uncertainties over the future development of the Group's iron concentrate business.

The Group will aim to resume the operation in a timely and smooth manner and under an economically viable scale pending the resolution of the local issues and subject to further consent from the Safety Authority and other production related consents. In this respect, the Group will keep abreast of the latest status and renewal progress of licences, keep a close eye on future market development and price trend of iron concentrates, maintain the production and ancillary facilities in reasonably satisfactory conditions at all times, and keep up the high awareness of mine safety and environmental protection measures.

The Group's expansion plans were hindered by the disputes arising from land expropriation. During FY 2014, the relevant construction works remained suspended. For further details, please refer to the section headed "Capital Expenditure and Infrastructure Development".

Gabbro-Diabase Business

While resolving the disputes over land expropriation at the Yanjiazhuang Mine and neighbouring areas, the Group has been proactively developing the gabbro-diabase business with a view to creating new cash flow from the sale of gabbro-diabase products.

Due to the recent development of nearby highway infrastructure, demand for crushed stones as highway paving has increased drastically. In order to seize this market opportunity and lay a solid groundwork for its gabbro-diabase business, the Group has made investment in, and has completed, the construction of the new production facilities and purchased certain mining and processing equipment for crushed stones. After fine-tuning the machinery, the Group commenced the crushing of rocks into highway paving stones for sale in the second half of 2014. The customers have preliminarily indicated their acceptance of the quality of the crushed stones following around half a year of production fine-tuning and sales efforts. During the Reporting Period, the Group recorded revenue of approximately RMB1.3 million from the production and sale of crushed stones and gabbro-diabase products.

Apart from crushed stones processing, the management is also actively studying the possibility of expanding into the markets of other gabbro-diabase products including, among others, quarry stones and decorative slabs. The Group has acquired mining equipment and is undergoing trial production of quarry stones, and expects to move on to commercial production as soon as the technique and products are accepted by our customers. The Group also intends to cut, process and polish quarry stones into decorative slabs so as to increase their commercial value. Besides, the Group has been trial running the scheme to award employees based on their production outputs for the production of mushroom tiles, which have a lower production skill requirement, to enhance its competitiveness and production efficiency. This scheme provides the Group with the flexibility to recruit the local labour force so as to lay the foundation for resolving the land expropriation disputes, and also better utilise the surplus manpower resulted from the suspension of the iron concentrate business. It also offers an additional income source to local villagers by joining the Group in its processing operation, as well as an opportunity for the Group to further improve its relationship with local villagers.

With respect to the application for the production safety permit for the gabbro-diabase business, the Group has submitted the required documents to the relevant authorities for approval. The representatives from the Safety Authority have confirmed the Group's production safety qualification for gabbro-diabase products after conducting on-site inspection and assessment. However, given the growing national concern over pollution, the government authorities would require time to coordinate and arrange the issuance of the permit. The Group is actively following up on the progress of the permit application and issuance, which however are not within our control.

Following the general environmental and emission-reducing trends and aiming to build an environmental friendly mine, the Group has installed environmental protection equipment at the crushed stone production facilities and other gabbro-diabase production sites with a view to mitigating the impact of the production process on the neighbouring environment. The Group places a high priority on production safety in respect of its new gabbro-diabase business and makes every effort to provide its staff with a safe working environment.

In relation to sales and marketing, the Group is in the process of setting up a quality marketing team for the sale of stone products, which will visit customers in different regions, and establish and enlarge the customer base. The Group will also visit the stone production bases operated by the peers so as to keep abreast of industry updates and to exchange production expertise with an aim of boosting the Group's productivity and profitability.

Further discussion of the gabbro-diabase infrastructure developments carried out during the Reporting Period will be set out in the section headed "Capital Expenditure and Infrastructure Development".

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB11.7 million, mainly on the construction of crushed stone production facilities, acquired certain mining and processing equipment for gabbro-diabase production, the payments on water supply facilities and additions to other facilities at corporate office.

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around, the relevant construction of Phase Two and Phase Three expansion plans was suspended during the Reporting Period. In addition, as a result of lawsuit, details of which are set out in the note (a) of the section headed "Contingent Liabilities", the construction of certain projects undertaken by the plaintiff was also suspended.

During the Reporting Period, the Group has further paid for the construction of water supply facilities amounting to approximately RMB2.0 million, and additions to other fixed assets amounted to approximately RMB1.0 million.

Capital expenditure of the iron concentrate business during the years ended 31 December 2014 and 2013 are indicated below:

	2014	2013
	RMB'million	*RMB'million*
Construction costs	**2.0**	1.1
Mining infrastructure	**0.8**	–
Equipment and others	**0.2**	1.8
Total	**3.0**	2.9

It is expected that when the iron concentrate production at the Yanjiazhuang Mine is smoothed out, the Group will further proceed with the relevant constructions so as to support the development of its iron concentrate business as and when appropriate.

Gabbro-Diabase Business

During the Reporting Period, the Group has constructed the crushed stone production facility and acquired certain mining and processing equipment for the production of mushroom tiles, quarry stones and decorative slabs.

Capital expenditure of the gabbro-diabase business during the years ended 31 December 2014 and 2013 are indicated below:

	2014	2013
	RMB'million	*RMB'million*
Construction costs	**4.9**	–
Mining infrastructure	**–**	1.6
Equipment and others	**3.6**	–
Total	**8.5**	1.6

Exploration Activities

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

Production Costs of Yanjiazhuang Mine

Iron Concentrate Business

During the Reporting Period, the Group's iron concentrate production has yet to resume and therefore no production cost of iron concentrates was recorded.

The Group's production costs in iron concentrate business amounted to approximately RMB7.0 million during the Corresponding Prior Period. These production costs mainly comprised 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 proportion of the production costs was relatively high mainly due to fairly limited production during the Corresponding Prior Period as the mine site environment was affected by the disturbances in nearby areas.

The following table presents, for the periods indicated, the Group's production costs in iron concentrate business:

	2014	2013
	RMB'000	*RMB'000*
Mining costs		
– Staff costs	–	598
– Hauling	–	431
– Others	–	118
	–	1,147
Processing costs		
– Staff costs	–	613
– Hauling	–	342
– Others	–	1,383
	–	2,338
Overheads		
– Depreciation	–	1,237
– Staff costs	–	1,796
– Others	–	484
	–	3,517
Total production costs in iron concentrate business	–	7,002

Gabbro-Diabase Business

The Group commenced the production and sales of crushed stones and gabbro-diabase products during the Reporting Period. The Group's production costs in gabbro-diabase business amounted to approximately RMB1.1 million, as recognised in cost of sales during the Reporting Period.

The following table presents, for the periods indicated, the Group's production costs in gabbro-diabase business:

	2014	2013
	RMB'000	*RMB'000*
Processing costs		
Material costs	**67**	–
Staff costs	**278**	–
Utilities and others	**395**	–
	740	–
Overheads		
– Depreciation and amortisation	**101**	–
– Hauling	**193**	–
– Staff costs	**17**	–
– Others	**14**	–
	325	–
Total production costs in gabbro-disbase business	**1,065**	–

Iron Ore Resource and Reserve Estimates

As at 31 December 2014, details of the Group's mineral resource and ore reserve estimates at the Yanjiazhuang Mine under the JORC Code were summarised as below:

Summary of mineral resources

	Percentage of ownership	**JORC Mineral Resource Category**	**As at 31.12.2014** *(Mt)*	**Average iron grade TFe** *(%)*	As at 31.12.2013 *(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 reserves

	Percentage of ownership	**JORC Ore Reserve Category**	**As at 31.12.2014** *(Mt)*	**Average iron grade TFe** *(%)*	As at 31.12.2013 *(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

The mining permit is valid until 26 July 2017. Taking into consideration that government policies in environmental protection, production safety and other mining-related aspects are constantly affected by pollution and other factors, the Group will continue to closely observe the tendency of these government policies, and timely start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine.

Mining production activities

As there was no iron concentrate production at the Yanjiazhuang Mine in FY 2014, the mineral resources and ore reserves as at 31 December 2014 were generally the same as those as at 31 December 2013. In FY 2013, there was negligible production at the Yanjiazhuang Mine.

Gabbro-Diabase Resource Estimates

As at 31 December 2014 and 2013, the gabbro-diabase resources at the Yanjiazhuang Mine were estimated at approximately 207 million cubic metres and categorised as an Indicated Resource under the JORC Code.

The Group has 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 2014, the Group conducted very limited scale of mining activities at the Yanjiazhuang Mine, and the gabbro-diabase ore resources is largely the same as that as at 31 December 2013.

Taking into consideration that government policies in environmental protection, production safety and other mining-related aspects are constantly affected by pollution and other factors, the Group will continue to closely observe the tendency of these government policies, and timely start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine.

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 department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection policies so as to increase the Group's sense of social responsibility and safety awareness. During FY 2014, the Yanjiazhuang Mine had no record of significant safety incident.

Considering the deteriorating air quality in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the government will tighten the relevant environmental policies over resources mining, steelmaking, cement production and other high-pollution industries. To mitigate the potential policy impact to its business, the Group will keep abreast of the latest regulatory requirements and adopt appropriate environmental measures from time to time to facilitate our operation and production.

Financial Review

During FY 2014, the Group commenced its gabbro-diabase business operation and generated a revenue of approximately RMB1.3 million from the sale of crushed stones and gabbro-diabase products. The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period.

During the Corresponding Prior Period, the Group's revenue was approximately RMB2.2 million from the sale of iron concentrates.

The net loss for FY 2014 was approximately RMB46.4 million (2013: approximately RMB35.9 million). The loss attributable to owners of the Company amounted to approximately RMB46.1 million (2013: approximately RMB35.5 million). The basic and diluted loss per share for FY 2014 was approximately RMB1.15 cent (2013: approximately RMB0.89 cent).

The increase in net loss was mainly attributed to the unfavourable foreign exchange movements resulting in the recognition of foreign exchange loss for the Reporting Period as contrary to the recognition of foreign exchange gain in the Corresponding Prior Period, the management costs incurred to streamline the organisational structure of the Group and in preparation for the start up of newly-commenced gabbro-diabase business of the Group during the Reporting Period, the increase in depreciation during the Reporting Period attributed to the finalisation of completion accounts for the Group's infrastructure development in 2013, and the recognition of less sales revenue generated from new gabbro-diabase operation as compared to the sales revenue generated from the resumption of trial production of iron concentrates in the Corresponding Prior Period, as further discussed below.

Revenue

During FY 2014, the Group commenced its gabbro-diabase business operation and generated a revenue of approximately RMB1.3 million from the sale of crushed stones and gabbro-diabase products. The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period.

During FY 2013, the Group recorded revenue of approximately RMB2.2 million from the sale of iron concentrates. During the Reporting Period, the Group maintained close communication with the local government and has obtained its staunch support. However, local issues such as disputes over land expropriation have not been fully resolved, thus preventing the Group from resuming its trial production of iron concentrates at the Yanjiazhuang Mine. The Group therefore did not record any revenue from the sale of iron concentrates during FY 2014.

Cost of Sales

Cost of sales mainly comprised operating fees incurred in relation to staff, materials, power and other utilities, hauling expenses, subcontracting charges, repairs and maintenance, depreciation and amortisation.

The Group's cost of sales during FY 2014 amounted to approximately RMB1.1 million from the production of crush stones (2013: approximately RMB7.0 million from the production of iron concentrates), further details are set out in the section headed "Production Costs of Yanjiazhuang Mine".

Gross Profit/(Loss) and Gross Profit Margin

As a result of the above, the Group recorded a gross profit of approximately RMB0.2 million and a gross margin of approximately 15.4% during the Reporting Period. For the Corresponding Prior Period, the Group recorded a gross loss of approximately RMB4.8 million and negative gross profit margin of -218.2%, which was mainly due to the disturbances and trial production of a limited scale.

Administrative Expenses

Administrative expenses increased by 7% to approximately RMB51.2 million during the Reporting Period, as compared to approximately RMB47.8 million during the Corresponding Prior Period. During the Reporting Period, the Group has put effort on various cost control measures and went through an organisational restructuring with an aim to mitigate the administrative expenses. Despite our efforts in these respect, management costs have been incurred to streamline the organisational structure of the Group, and in preparation for the start up of newly-commenced gabbro-diabase business of the Group. Moreover, there was an increase in depreciation during the Reporting Period as compared to the Corresponding Prior Period as the Group has finalised the completion accounts for its infrastructure development in 2013.

Finance Income

Finance income decreased by 72% to approximately RMB5.2 million during the Reporting Period, as compared to approximately RMB18.5 million during the Corresponding Prior Period. The decrease was mainly due to the recognition of an exchange loss of approximately RMB3.1 million derived from the HKD denominated bank borrowings as a result of the depreciation of RMB against the HKD during the Reporting Period. Approximately RMB11.7 million exchange gain was recognised for the Corresponding Prior Period which was derived from the appreciation of RMB against the HKD during that period.

Income Tax Expense

The income tax expense represented the current period provision for the 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 -3% for the Corresponding Prior Period to -1% 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 31 December 2014.

Property, Plant and Equipment

As at 31 December 2014, the Group's property, plant and equipment had a net book value of approximately RMB713.8 million (2013: approximately RMB712.6 million), representing 50.2% (2013: 46.2%) of total assets of the Group. The increase was mainly attributable to the construction of the production facilities for crushed stones and additions of mining and processing equipment for gabbro-diabase business during FY 2014.

Other Payables and Accruals

As at 31 December 2014, the Group's balances of other payables and accruals were approximately RMB61.1 million (2013: approximately RMB64.1 million). The decrease of 4.7% was mainly attributable to the settlement to contractors made during the Reporting Period.

Liquidity and Financial Resources

As at 31 December 2014, the Group's cash and cash equivalents amounted to approximately RMB600.7 million (2013: approximately RMB729.7 million), of which 99.5% denominated in RMB and 0.5% denominated in HKD (2013: 99.7% denominated in RMB and 0.3% denominated in HKD), representing 42.2% (2013: 47.3%) of total assets of the Group. In addition, the Group's restricted bank balances were approximately RMB1.2 million as at 31 December 2014 and 2013, further details of which are set out in "Contingent Liabilities" section.

The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB285.1 million (2013: approximately RMB348.4 million). The liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.7 as at 31 December 2014 and 2013.

During the Reporting Period, the Group paid approximately RMB24.8 million (2013: approximately RMB27.2 million) for the settlement of the Group's addition of items of property, plant and equipment and intangible assets.

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 2014, the total equity of the Group amounted to approximately RMB1,022.6 million (2013: approximately RMB1,067.6 million).

As the Group had net cash position of approximately RMB285.1 million and RMB348.4 million as at 31 December 2014 and 2013, respectively, it is therefore not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2014, the Group's HKD denominated bank borrowings amounted to HK$400.0 million (equivalent to approximately RMB315.6 million) (2013: HK$485.0 million, equivalent to approximately RMB381.3 million). The bank borrowings were all unsecured and carried interest at floating rates. Maturity of bank borrowings was subject to the banks' overriding right of repayment on demand. As at 31 December 2014, no property, plant and equipment or leasehold land or land use rights were pledged by the Group.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform on-going liquidity review. This approach takes into consideration of the maturity of its financial instruments, 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.

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 bank balances, the majority of the Group's assets and liabilities are denominated in RMB. Therefore, the Group currently does not have a foreign currency hedging policy.

As of 31 December 2014, certain cash and bank balances were denominated in HKD and USD and the bank borrowings were denominated in HKD. During the Reporting Period, attributed to the unfavourable currency movements of HKD against RMB, the Group recognised a foreign exchange loss of approximately RMB3.1 million from the HKD denominated bank borrowings. In the Corresponding Prior Period, the Group recognised an exchange gain of approximately RMB11.7 million from the appreciation of RMB against HKD during that period. Despite these, the fluctuation in currency exchange rate of HKD is not expected to pose significant risk on the liquidity and financial position of the Group. The Group will continue to monitor its foreign currency risk by closely observing the movement in the foreign currency exchange rates.

Capital Commitments

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

	2014 *RMB'000*	2013 *RMB'000*
Contracted, but not provided for:		
– Property, plant and equipment	**61,210**	61,214
Authorised, but not contracted for:		
– Property, plant and equipment	**384,423**	396,070
– Resource fees	**500,000**	310,000
	884,423	706,070
Total	**945,633**	767,284

Contingent Liabilities

(a) Since March 2013, a subsidiary of the Group was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business of the Group. In May 2013, a local court in the PRC issued a verdict to freeze (i) two properties of the plaintiff and (ii) the bank accounts or other assets up to RMB36 million of the Group's subsidiary, pending the outcome of the case. Consequently, certain bank accounts of such subsidiary with an aggregate balance of approximately RMB1.2 million were frozen by the local court as of 31 December 2014. In November 2013, the local court has designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that have been completed by the plaintiff. During the year ended 31 December 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing will be held in this respect. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. Such counterclaim is currently pending the decision of the relevant court to assess the ratification costs to the completed construction work.

Based on the available information and the advice of the Group's PRC legal counsels on the case, it is anticipated that the litigation would not have any material adverse impact to the financial position and operations of the Group.

(b) During the year, a subsidiary of the Group was involved in litigation as a defendant in respect of the costs and damages arising out of the ordinary course of business of the Group. The Group has successfully defended the case in the first hearing. The plaintiff has filed an appeal to the court in November 2014. The Group is proactively responding to the case in accordance with the advice of the Group's PRC legal counsels.

As the plaintiff has failed to adduce new evidence for the appeal so far, it is anticipated that the appeal is less likely to succeed and therefore 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.

The Group will continue to identify and evaluate opportunities for mergers and acquisitions of quality mining resources. It is believed to be beneficial for the development of the Group in the long run.

Employees and Remuneration Policies

The Group	**31 December 2014**
Number of employees	**200**

Type	**Number of employees**	**Approximate percentage to the total number of employees**
Production, sale and operation	107	53
Management and administrative support	93	47
Total	200	100

As at 31 December 2014, the Group had a total of 200 (2013: 299) full-time employees in Hong Kong and Mainland China (excluding workers under the reward scheme based on production outputs and workers of the independent third-party contractors engaged in mining and hauling works). In 2014, the Group went through an organisational restructuring for the purpose of better alignment with its business development and changes. Certain employees had job rotation and adjustments while some of the employees had left the Group upon the expiry of their contracts or for other reasons. As a result, the Group managed to re-allocate its human resources and the number of full-time employees decreased during the Reporting Period.

The Group formulates its human resources allocation 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 programmes are also offered to ensure continuous staff training and development.

Use of Net Proceeds

The net proceeds raised from the Listing of the Company amounted to approximately RMB1,052 million. On 26 March 2014, the Board approved the change in application of the unutilised net proceeds raised from the Listing of the Company in the revised manner set out below:

Intended use of the unutilised net proceeds	Revised use of the unutilised net proceeds
(1) approximately RMB179 million for exploration and acquisition activities to expand the resources, including further exploration work at the Yanjiazhuang Mine, the acquisition of exploration rights to expand the northern boundary of the permitted mining area of the Yanjiazhuang Mine by an additional 0.75 km^2 and two iron ore mines in Hebei Province, namely, the Gangxi Mine and the Shangzhengxi Mine	(1) approximately RMB179 million as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings *(Note)*
(2) approximately RMB208 million for development of gabbro-diabase business	(2) approximately RMB108 million for the purpose originally designated and approximately RMB100 million as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings *(Note)*

Note: As a result of the above re-allocation of the unutilised net proceeds, a total sum of approximately RMB279 million will be used as general working capital, payment for future capital expenditure, exploration, investment and acquisition activities in the mining and/or resources sector, financial management and repayment of bank borrowings of the Group.

It is also determined that for the unutilised net proceeds that are not immediately applied to the above revised purposes or if the Group is unable to effect any part of its future development plans as intended, the Group may hold such funds in treasury products, apart from deposits in the interest-bearing and non-interest-bearing bank accounts, with licensed commercial banks and/or authorised financial institutions in Hong Kong or the PRC until they are expedited for the intended purposes.

As at 31 December 2014, the application of the net proceeds raised from the Listing of the Company is set out as below.

	Net proceeds from the Listing				
	Available for utilisation upon Listing	Approved changes in March 2014	Revised use of proceeds	Utilised	Unutilised
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million*
Three-phase expansion plan of the Yanjiazhuang Mine	368	–	368	154	214
Payment of resource fees	95	–	95	–	95
Exploration and acquisition activities	179	(179)	–	–	–
Development of gabbro-diabase business	273	(100)	173	84	89
Repayment of shareholders' loans	105	–	105	105	–
Working capital	32	–	32	32	–
General working capital, acquisitions and financial management	–	279	279	94	185
	1,052	–	1,052	469	583

Dividend

The Directors do not recommend the payment of a final dividend in respect of FY 2014 (2013: Nil).

Outlook and Future Plans

The Group's gabbro-diabase business has just started in 2014. Looking forward to 2015, the Group will progressively increase its investment to bring this new business to a commercial scale. Small-scale production and sale of gabbro-diabase products had been carried out in 2014 and the products had gained preliminary acceptance from customers. Encouraged by such success, the management will actively develop new gabbro-diabase products and consider expanding into other markets in order to acquire more experience in the production and sale of gabbro-diabase products and enlarge its customer base. The Group will consider expanding the scale of the gabbro-diabase business in a steady and economically viable manner so as to create new cash flow.

For the iron concentrate business, the Group will use its best efforts to maintain amicable communications with the local government and neighbouring villages so as to resolve the disputes over land expropriation and external problems hindering the iron concentrate production at the Yanjiazhuang Mine as soon as practicable, and to resume the production in a timely manner. The Group will keep a close eye on future market development and price trend of iron concentrates, with an aim to resume the operation in a timely and smooth manner and under an economically viable scale pending the resolution of the local issues and subject to further consent from the Safety Authority and other production related consents.

Regarding the permits, the Group will continue its communications with the relevant government authorities to facilitate the renewal and issuance of the production safety permits. In addition, the Group will pay close attention to the relevant requirements of the environmental protection, production safety and other government policies in the PRC concerning heavily polluting industries in order to have a better understanding of their impacts on the development of the Group's businesses in the medium to long run.

Apart from the above businesses, the Group will cautiously explore merger and acquisition opportunities in order to acquire mining resources with potentials to achieve sustainable development.

CORPORATE GOVERNANCE PRACTICES

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2014, we adopted corporate governance principles that emphasise a quality Board, effective internal controls, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

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 the 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 Provisions A.6.7 and E.1.2 of the CG Code as set out 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 overseas engagements, two non-executive Directors and an independent non-executive Director were unable to attend the AGM held on 23 May 2014 (the "2014 AGM").

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGMs. Due to overseas engagements, the chairman of the Board, was unable to attend the 2014 AGM. The vice-chairman of the Board, who acted as the chairman of the 2014 AGM, together with other members of the Board who attended the meeting, were of sufficient calibre for answering questions at the 2014 AGM.

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.

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 2014.

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 inside 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 2014.

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.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, including Mr. Tsui King Fai (Chairman of the Audit 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 is available on the Company's website. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process and internal controls. The Audit Committee has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the annual results and the audited consolidated financial statements of the Group for FY 2014 and the auditors' report thereon.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results and the audited consolidated financial statements of the Group for FY 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 May 2015 to Thursday, 21 May 2015 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM of the Company, all transfer of the 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 15 May 2015.

ANNUAL GENERAL MEETING

The AGM of the Company for FY 2014 is scheduled to be held on Thursday, 21 May 2015. A notice convening the AGM will be issued and disseminated to the Shareholders in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company. The annual report 2014 will be despatched to the Shareholders and published on the above websites in due course.

GLOSSARY OF TERMS

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

"AGM"	annual general meeting
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
"Company"	Newton Resources Ltd
"Director(s)"	the director(s) of the Company
"FY 2013" or "Corresponding Prior Period"	the financial year ended 31 December 2013
"FY 2014" or "Reporting Period"	the financial year ended 31 December 2014
"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
"km"	kilometre(s)
"km^2"	square km(s)
"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

"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 announcement, 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 iron mining and gabbro-diabase products
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TFe"	average total iron grade
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum
"USD"	the United States dollar, the lawful currency of the United States of America
"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礦), an iron ore and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC

By Order of the Board
Newton Resources Ltd
Cheng Kar Shun
Chairman and Non-Executive Director

Hong Kong, 26 March 2015

As at the date of this announcement, the executive Directors are Mr. Li Changfa and Mr. Jiao Ying; the non-executive Directors are Dr. Cheng Kar Shun, Mr. Lam Wai Hon, Patrick and Mr. Cheng Chi Ming, Brian; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny.