2014
Annual Report

新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

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Chairman's Statement

Chairman's Statement

Dear Shareholders,

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 trial production of iron concentrates 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 the aim of resuming 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, the oversupply in the iron mining industry and the substantial decrease in iron concentrate prices have posed greater uncertainties 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 and 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 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 the 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.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 26 March 2015

Management Discussion and Analysis

Management Discussion and Analysis

Market Overview

In 2014, the annual growth rate of the PRC's gross domestic product 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 fragmentation, 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 the aim of creating a new cash flow.

Business Review *(Continued)*

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".

Business Review *(Continued)*

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 our crushed stones following around half a year of production fine-tuning and sales efforts by us. 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 our technique and products are accepted by the 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.

Business Review *(Continued)*

Gabbro-Diabase Business *(Continued)*

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

During the Reporting Period, there is no new contract and commitment entered into by the Group for iron concentrate business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment (2013: approximately RMB1.9 million).

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.

Capital Expenditure and Infrastructure Development *(Continued)*

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

During the Reporting Period, the new contracts and commitments entered into by the Group for gabbro-diabase business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment amounted to approximately RMB7.8 million (2013: approximately RMB2.4 million).

Exploration Activities

During the Reporting Period, the Group did not have any exploration activity nor incur any expense or capital expenditure in that activity at the Yanjiazhuang Mine.

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.

Production Costs of Yanjiazhuang Mine *(Continued)*

Iron Concentrate Business *(Continued)*

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

	2014 **RMB'000**	2013 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

Production Costs of Yanjiazhuang Mine *(Continued)*

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 **RMB'000**	2013 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

* Please refer to the independent technical report in the Company's prospectus dated 21 June 2011 for details of the assumptions and parameters used to calculate these iron ore resource and reserve estimates and quality of iron grade.

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 was 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.

Dividend

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

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).

Financial Review *(Continued)*

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.

Financial Review *(Continued)*

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 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 -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. Further details about the Group's income tax are set out in note 8 to the consolidated financial statements.

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.

Management Discussion and Analysis

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.

Segment Information

For management purposes, the Group organised its business units based on production and services. The Group had a revenue of approximately RMB1.3 million recognised during the Reporting Period which were derived from the "Gabbro-Diabase" operating segment. During the Corresponding Prior Period, the Group had a revenue of approximately RMB2.2 million which were derived from the "Iron Concentrates" operating segment. Further details of the Group's segment results are set out in note 4 to the consolidated financial statements.

Furthermore, 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.

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 designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that had 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 of 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 ended 31 December 2014, 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.

Management Discussion and Analysis

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.

Use of Net Proceeds *(Continued)*

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 RMB'million	**Approved changes in March 2014** RMB'million	**Revised use of proceeds** RMB'million	**Utilised** RMB'million	**Unutilised** 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

Group's Profile and Strategies

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

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

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

Apart from the operations, the Group will seize merger and acquisition opportunities for quality mining resources.

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 the aim of resuming 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 potential to achieve sustainable development.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2014.

Corporate Governance Practices

We strongly believe 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 emphasize 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.

The Board

Responsibilities

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

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

The Board *(Continued)*

Board Composition

The Board currently comprises eight Directors, consisting of two executive Directors, three non-executive Directors and three independent non-executive Directors. They possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. Biographies of the Directors are set out from pages 42 to 46 of this annual report under the section headed "Directors' and Senior Management's Profile".

The list of Directors (by category) as set out under "Corporate Information" on page 123 is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified as such in all corporate communications of the Company pursuant to the Listing Rules.

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

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

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

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

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

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. During FY 2014, the role of chairman was held by Dr. Cheng Kar Shun and the Company did not have a chief executive officer.

The Board *(Continued)*

Chairman and Chief Executive Officer *(Continued)*

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

The role of chief executive officer focuses on achieving the Company's objectives and implementing policies and strategies approved and delegated by the Board. He/she is in charge of the Company's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. As at the date of this report, the function of the chief executive officer is divided among the executive Directors. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

Appointment, Re-election and Removal of Directors

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

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

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

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

Nomination Committee

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

The specific written terms of reference of the Nomination Committee, which was revised on 7 August 2013 in light of the amendments of the Listing Rules, is available on the Company's website.

The Board *(Continued)*

Nomination Committee *(Continued)*

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

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

- To identify candidates suitably qualified for appointment as the Directors;

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

- To review the board diversity policy, as appropriate, the measurable objectives adopted for implementing the policy and the progress on achieving the objectives; and

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

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

The Board adopted a board diversity policy in August 2013 setting out the approach to achieve diversity on the Board. As set out in the policy, a truly diverse Board will include and make good use of differences in the background, knowledge, skills, expertise, regional and industry experience, gender and other qualities of the members of the Board. These differences will be taken into account in determining the optimum composition of the Board. Board diversity has been considered and practised by the Company from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, skills, experience, knowledge, expertise and independence. The current Board is considered well-balanced and of a diverse mix appropriate for the business of the Group. The Nomination Committee is responsible for the review of the measurable objectives adopted for implementing the board diversity policy and the progress on achieving the objectives. The Nomination Committee will also review the board diversity policy, as appropriate, to ensure its effectiveness and recommend any proposed revisions to the Board for approval.

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

The Board *(Continued)*

Nomination Committee *(Continued)*

A summary of the work performed by the Nomination Committee during FY 2014 is set out as follows:

– Recommended the appointment of Mr. Li Changfa as an executive Director and chief operating officer of the Company;

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

– Assessed the independence of the independent non-executive Directors; and

– Recommended the re-appointment of retiring Directors at the 2014 AGM.

In accordance with articles 106(1) and 106(2) of the Articles, Dr. Cheng Kar Shun, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny will retire from their office by rotation at the forthcoming AGM (the "2015 AGM"). In addition, pursuant to article 101(3) of the Articles, Mr. Luk Yue Kan (become director from 1 April 2015) will retire from office at the 2015 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as the Directors at the 2015 AGM.

The Nomination Committee recommended the re-appointment of these retiring Directors at the 2015 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors pursuant to the Listing Rules requirements.

The Nomination Committee held a meeting during FY 2014 and the attendance records of the Nomination Committee members are as follows:

Name of Nomination Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung *(Chairman of the Committee)*	1/1
Mr. Tsui King Fai	1/1
Mr. Wu Wai Leung, Danny	1/1
Mr. Lam Wai Hon, Patrick	1/1

The Board *(Continued)*

Corporate Governance Functions

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

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Induction and Continuing Development

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

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

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

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

The Directors confirmed that they have complied with Code Provision A.6.5 of the CG Code about the requirement for the Directors' training. All the Directors have participated in continuous professional development by attending seminars/in-house briefing/reading materials as detailed below to develop and refresh their knowledge and skills and provided records of training to the Company.

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

Notes:

(1) Appointed on 1 March 2014.

(2) Retired on 1 March 2014.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

According to the training records received by the Company, an average of approximately 12 training hours were undertaken by each Director during FY 2014.

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

Board Meetings

Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to the Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board meetings and committee meetings, reasonable notice is generally given.

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

The chief financial officer and other relevant senior management normally attend regular Board meetings and where necessary, other Board meetings and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

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

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

Directors' Attendance and Time Commitment

During FY 2014, four regular Board meetings were held for reviewing and approving the financial and operating performance, considering and approving the overall strategies and policies of the Group and other matters.

The Board *(Continued)*

Board Meetings *(Continued)*

Directors' Attendance and Time Commitment *(Continued)*

The attendance records of individual Directors at the following meetings during FY 2014 are as follows:

	Attendance/ Number of Meeting(s) held during the respective term of services	
Name of Director	**Board Meeting(s)**	**AGM**
Non-executive Directors		
Dr. Cheng Kar Shun *(Chairman)*	3/4	0/1
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)*	4/4	1/1
Mr. Cheng Chi Ming, Brian	4/4	0/1
Executive Directors		
Mr. Li Changfa (Note 1)	4/4	1/1
Mr. Jiao Ying	4/4	1/1
Ms. Yu Shuxian (Note 2)	0/0	0/0
Independent Non-executive Directors		
Mr. Tsui King Fai	4/4	1/1
Mr. Lee Kwan Hung	4/4	0/1
Mr. Wu Wai Leung, Danny	3/4	1/1
Total number of meetings held during FY 2014:	**4**	**1**

Notes:

(1) Appointed on 1 March 2014.

(2) Retired on 1 March 2014. During the period from 1 January 2014 to the date of retirement, no Board meeting and AGM were held.

Apart from regular Board meetings, a meeting between the chairman and the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors was also held during FY 2014. The attendance rate of this meeting was 100%.

The Board *(Continued)*

Model Code for Securities Transactions

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

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

Delegation of Management Functions

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

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

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

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

Delegation of Management Functions *(Continued)*

The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the foregoing senior management.

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

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 123.

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

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management. Details of the remuneration of each of the Directors and the senior management for FY 2014 are set out in note 7 to the consolidated financial statements.

Remuneration Committee

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

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

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

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee held two meetings during FY 2014 and the attendance records of its members are as follows:

Name of Remuneration Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung *(Chairman of the Committee)*	2/2
Mr. Tsui King Fai	2/2
Mr. Wu Wai Leung, Danny	2/2
Mr. Lam Wai Hon, Partick	2/2

A summary of the work performed by the Remuneration Committee during FY 2014 is set out as follows:

– Reviewed the remuneration policy and structure of the Company;

– Reviewed and recommended to the Board on the remuneration packages of Directors and senior management of the Company;

– Reviewed and recommended to the Board on the performance-based remuneration and bonus to Directors and senior management of the Company;

– Reviewed and recommended to the Board on the remuneration package regarding the appointment of Mr. Li Changfa as an executive Director and chief operating officer of the Company; and

– Reviewed and recommended to the Board on the renewal of letters of appointment with non-executive Directors and independent non-executive Directors.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

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

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

Accountability and Audit *(Continued)*

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

During FY 2014, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Internal Control and Risk Management

The Board acknowledges its responsibility in maintaining sound and effective internal controls for the Group to safeguard investments of the Shareholders and assets of the Company. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The system has been established to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

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

The Risk Management Department conducts evaluation of the Group's internal control on an on-going basis. The Risk Management Department performs risk-based audits to review the effectiveness of the Group's material internal controls so as to provide assurance that key business and operational risks are identified and managed. The work carried out by the Risk Management Department will ensure the internal controls are in place and functioning as intended. The Risk Management Department reports to the Audit Committee with its findings and makes recommendations to improve the internal control of the Group.

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

Monitoring

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

Information and Communication

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

Accountability and Audit *(Continued)*

Internal Control and Risk Management *(Continued)*

Control Activities

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

Risk Assessment

- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Undertake proper actions to manage the risks so identified.

Control Environment

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

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

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

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

Accountability and Audit *(Continued)*

Audit Committee

The Audit Committee comprises three independent non-executive Directors, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The specific written terms of reference of the Audit Committee is available on the Company's website.

Pursuant to the terms of reference, the main duties of the Audit Committee include the following:

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

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

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

- To oversee the internal control system of the Group and to report to the Board on any material issues, and make recommendations to the Board.

A summary of work performed by the Audit Committee during FY 2014 is set out as follows:

– Reviewed with the senior management and finance-in-charge and/or the external auditors the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual and interim financial statements for FY 2013 and for the six-months ended 30 June 2014 respectively;

– Met with the external auditors and reviewed their work and findings relating to the annual audit for FY 2013 and the effectiveness of the audit process;

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

– Conducted annual review of the non-exempt continuing connected transactions of the Group for FY 2013;

– Approved the internal audit plan for FY 2014, reviewed the external auditors' independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditors;

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

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

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

The Audit Committee held two meetings during FY 2014 and the attendance records of the Audit Committee members are as follows:

Name of Audit Committee Member	Attendance/Number of Meeting(s) held
Mr. Tsui King Fai *(Chairman of the Committee)*	2/2
Mr. Lee Kwan Hung	2/2
Mr. Wu Wai Leung, Danny	2/2

The external auditors were invited to attend the meetings without the presence of the executive Directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. After each meeting, the chairman of the Audit Committee provided the Board with a briefing on the significant issues. An Audit Committee meeting was also held in March 2015 to consider, among others, the Group's annual results and annual report for FY 2014.

External Auditors' Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditors to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditors, Messrs. Ernst & Young, is independent and has recommended the Board to re-appoint it as the Company's auditors at the 2015 AGM. During FY 2014, the external auditors have rendered audit services and certain non-audit services to the Company. The statement about their reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditors' Report" on pages 58 and 59.

Accountability and Audit *(Continued)*

External Auditors' Independence and Remuneration *(Continued)*

A summary of audit services and non-audit services provided by the external auditors for FY 2014 and their corresponding remuneration is set out below:

Category of Services	**Fees Paid/Payable** RMB'000
Audit review service	
– Interim review services	500
– Annual audit services	1,100
Non-audit service	
– Tax advisory services	11
Total	1,611

Company Secretary

The company secretary of the Company (the "Company Secretary") is a full time employee of the Company and has knowledge of the Company's day-to-day affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. During FY 2014, the Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training. His biography is set out on page 46 of this annual report under the section headed "Directors' and Senior Management's Profile".

Constitutional Documents

The Company did not make any change to its constitutional documents during FY 2014. The memorandum and articles of association of the Company are available on the Company's website.

Communication with Shareholders and Investor Relations

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

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

Communication with Shareholders and Investor Relations *(Continued)*

The 2015 AGM is scheduled to be held on 21 May 2015. The notice of AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

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

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

Shareholders' Rights

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

The Shareholder shall deposit a requisition in writing to require an extraordinary general meeting and to put forward proposals at the Company's principal place of business in Hong Kong at Room 1505, 15th Floor, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong (marked for the attention of the Company Secretarial Department) or the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

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

For enquiries to the Board, the Shareholder shall contact the Investor Relations Department at the Company's principal place of business in Hong Kong at Room 1505, 15th Floor, New World Tower, 16-18 Queen's Road Central, Central, Hong Kong or by e-mail to ir@newton-resources.com. The Company will endeavour to respond to their queries in a timely manner.

Shareholders' Rights *(Continued)*

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

All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and the Articles, and the poll voting results will be published on the websites of the Company and the Hong Kong Exchanges and Clearing Limited after the relevant general meeting in accordance with the requirements of the Listing Rules.

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

Going Concern

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

Directors' and Senior Management's Profile

Board of Directors

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

Dr. Cheng, aged 68, has been appointed as a non-executive Director and the chairman of the Company since 23 May 2012.

He is currently the chairman and executive director of NWD (stock code: 17), NWS (stock code: 659), International Entertainment Corporation (stock code: 1009) and Chow Tai Fook Jewellery Group Limited (stock code: 1929), the chairman and managing director of New World China Land Limited (stock code: 917), the chairman and non-executive director of New World Department Store China Limited (stock code: 825), an independent non-executive director of HKR International Limited (stock code: 480) and Hang Seng Bank Limited (stock code: 11), a non-executive director of Lifestyle International Holdings Limited (stock code: 1212) and SJM Holdings Limited (stock code: 880). Dr. Cheng is a director of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited, Chow Tai Fook Capital Limited, Chow Tai Fook (Holding) Limited and Chow Tai Fook Enterprises Limited, all of them as well as NWD and NWS are substantial shareholders of the Company. He is also the chairman of New World Hotels (Holdings) Limited.

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

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

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

Mr. Lam, aged 52, has been appointed as a non-executive Director and the vice-chairman of the Company since 20 May 2011. He is also a member of each of the Remuneration Committee and the Nomination Committee.

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

Mr. Lam is an executive director of NWS (stock code: 659), a substantial shareholder of the Company. He is responsible for overseeing the services business of the NWS group of companies and managing the financial and human resources aspects of NWS.

Mr. Lam is also a non-executive director of Wai Kee Holdings Limited (stock code: 610) and Road King Infrastructure Limited (stock code: 1098).

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

Board of Directors *(Continued)*

Mr. Cheng Chi Ming, Brian
Non-executive Director

Mr. Cheng, aged 32, has been appointed as a non-executive Director since 20 May 2011.

Mr. Cheng is presently an executive director of NWS (stock code: 659), a substantial shareholder of the Company. He is mainly responsible for overseeing the infrastructure business and the merger and acquisition affairs of the NWS Group. Moreover, he is currently a non-executive director of Haitong International Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610), Beijing Capital International Airport Co., Ltd. (stock code: 694), and the chairman and non-executive director of Integrated Waste Solutions Group Holdings Limited (stock code: 923). He is also a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in Mainland China.

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

Mr. Cheng is the son of Dr. Cheng Kar Shun (the chairman and a non-executive director of the Company, and the chairman and an executive director of NWD and NWS).

Mr. Li Changfa
Executive Director/Chief Operating Officer

Mr. Li, aged 68, has been appointed as an executive Director and the chief operating officer of the Company since 1 March 2014. He is currently the chairman of the board of directors and legal representative of Lincheng Xingye Mineral Resources Co., Ltd., subsidiary of the Company. He is responsible for the overall operation management and strategic development of the Group, and oversee the management, operation and business development of the Yanjiazhuang Mine.

Mr. Li was professionally accredited economist by the Personnel Department of Henan Province（河南省人事廳）in 1992, and graduated from the China University of Petroleum with a major in business administration in 2006.

Mr. Li has over 20 years of experience in business operations, project management and mergers and acquisitions. From 1964 to 1992, he held various management positions in China ShenMa Group and numerous enterprises. From 1992 to 1999, he worked in the subsidiaries of the Ministry of Textile Industry and China General Chamber of Textile（中國紡織工業部及中國紡織總會）, and participated in mergers and acquisitions, restructuring, establishment and management of corporations. From 2002 to 2008, he held various positions, including director and vice president of China Printed Circuit Association, mainly responsible for its policy study and industry development advisory.

Mr. Li was appointed as the vice-chairman of the China Chamber of International Commerce Guangzhou Chamber of Commerce in 2004. From 2006 to 2011, he was appointed as a member of the Eighth Guangzhou Baiyun District Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

Board of Directors *(Continued)*

Mr. Jiao Ying
Executive Director/Chief Financial Officer

Mr. Jiao, aged 53, has been appointed as an executive Director and one of the authorised representatives of the Company since 30 August 2012. He has been the chief financial officer of the Company since 13 December 2010 and oversees finance operation, risk management, investor relations, and mergers and acquisitions functions of the Group. He is currently a director of Lincheng Xingye Mineral Resources Co., Ltd., subsidiary of the Company.

Mr. Jiao graduated with a Bachelor of Arts in English and a Bachelor of Arts in International Journalism from Shanghai Foreign Studies University and obtained a Master of Education from Nottingham University in Great Britain and a Master of Business Administration from the University of International Business and Economics. He is a Certified Management Accountant of U.S.A. and an associate member of Association of International Accountants, United Kingdom.

From 1992 to 2001, Mr. Jiao was the financial controller and secretary to the board of directors, of China World Trade Center Company Ltd., a company listed on the Shanghai Stock Exchange (Stock Code: 600007). From 2001 to 2004, he was the chief financial officer of Zoom Networks (Shenzhen) Co., Ltd.（中太數據通信（深圳）公司）. From 2005, he worked as an assistant to the chief executive officer of Tianjin Tianshi Biological Development Co., Ltd., a subsidiary of Tiens Biotech Group (USA), Inc. From 2007 to 2008, he was the chief financial officer of China Shenzhou Mining & Resources, Inc. (symbol: SHZ), a company listed on the American Stock Exchange (now known as NYSE Amex Equities). From 2008 to 2009, he worked as a director and the chief financial officer of Golden Cattle Livestock Breeding Technology Holdings Limited. From 2009 to 2010, he worked as an executive vice-president and the general manager of the financial management department of Anton Oilfield Services Group (stock code: 3337).

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 65, has been appointed as an independent non-executive Director since 15 December 2010 and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

He currently holds positions in the following companies:

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

Board of Directors *(Continued)*

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

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

Mr. Lee Kwan Hung
Independent Non-executive Director

Mr. Lee, aged 49, has been appointed as an independent non-executive Director since 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee.

He currently holds positions in the following listed companies:

Name of company	Title
Embry Holdings Limited (stock code: 1388)	Independent non-executive director
NetDragon Websoft Inc. (stock code: 777)	Independent non-executive director
Asia Cassava Resources Holdings Limited (stock code: 841)	Independent non-executive director
Futong Technology Development Holdings Limited (stock code: 465)	Independent non-executive director
Walker Group Holdings Limited (stock code: 1386)	Independent non-executive director
Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director
China BlueChemical Ltd. (stock code: 3983)	Independent non-executive director
Landsea Green Properties Co., Ltd. (stock code: 106)	Independent non-executive director

Moreover, he was an independent non-executive director of New Universe International Group Limited (stock code: 8068), Yuexiu REIT Asset Management Limited (stock code: 405) and Far East Holdings International Limited (stock code: 36), up to his resignation on 18 July 2012, 7 October 2014 and 12 November 2014 respectively.

Mr. Lee holds a Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong and the United Kingdom and is a practising lawyer. Between 1993 and 1994, Mr. Lee was a senior manager in the Listing Division of the Stock Exchange. Mr. Lee was a partner of Woo Kwan Lee & Lo between 2001 to 2011. Currently, he is a consultant of Howse Williams Bowers.

Board of Directors *(Continued)*

Mr. Wu Wai Leung, Danny
Independent Non-executive Director

Mr. Wu, aged 54, has been appointed as an independent non-executive Director since 25 January 2011 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

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

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

Senior Management

Mr. Luk Yue Kan
Financial Controller/Company Secretary

Mr. Luk, aged 39, joined the Company in 2011 and is the financial controller and the company secretary of the Company. He oversees the treasury management, financial reporting and company secretarial matters of the Group. He holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants, and an associate and a Certified Tax Advisor of the Taxation Institute of Hong Kong. Mr. Luk has over 17 years' experience in auditing, accounting and financial management.

Mr. Xu Yongxin
Deputy General Manger of Xingye Mining

Mr. Xu, aged 41, joined the Group in 2011, and is a deputy general manager of Xingye Mining, and is responsible for and oversees the mining, production, sales and operation of the Yanjiazhuany Mine. He holds a Doctoral degree in Engineering from the China University of Mining and Technology, Beijing. He has vast experience and professional knowledge in mining, ore processing and marketing of metal minerals as well as resources deployment. Mr. Xu has over 17 years' experience in development and construction of metal mine sites.

Report of the Directors

The Directors have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for FY 2014.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 15 to the consolidated financial statements.

Results and Appropriations

The results of the Group for FY 2014 and the state of affairs of the Company and the Group as at 31 December 2014 are set out in the consolidated financial statements on pages 60 to 119.

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

Use of Proceeds from the Company's Listing

Details of the use of proceeds from the Company's Listing are set out on page 20 of this annual report.

Share Capital

There were no movements in either the Company's authorised or issued share capital during the year.

Pre-Emptive Rights

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

Reserves

Details of movements in the reserves of the Group and the Company during FY 2014 are set out in the consolidated statement of changes in equity on page 62 and in note 24(b) to the consolidated financial statements respectively.

Distributable Reserves

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2013 Revision) of the Cayman Islands, amounted to approximately RMB678,443,000. The share premium account of the Company is available for distribution or paying dividends to the Shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

Report of the Directors

Property, Plant and Equipment

During FY 2014, the Group acquired property, plant and equipment of approximately RMB11,651,000. Details of the movements in the property, plant and equipment of the Group during FY 2014 are set out in note 12 to the consolidated financial statements.

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.

Bank Borrowings

Particulars of bank borrowings of the Group as at 31 December 2014 are set out in note 21 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales to the five largest customers of the Group accounted for 99% of the Group's total revenue and sales to the largest customer accounted for 78% of the Group's total revenue for FY 2014. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 70% of the Group's total purchases and purchases from the largest supplier accounted for approximately 36% of the Group's total purchases for FY 2014.

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

Management Contracts

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

Report of the Directors

Directors

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

Non-executive Directors

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

Executive Directors

Mr. Li Changfa	(appointed on 1 March 2014)
Mr. Jiao Ying	
Ms. Yu Shuxian	(retired on 1 March 2014)

Independent Non-executive Directors

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

In accordance with articles 106(1) and 106(2) of the Articles, Dr. Cheng Kar Shun, Mr. Lee Kwan Hung and Mr. Wu Wai Leung, Danny will retire from their office by rotation at the 2015 AGM. In addition, pursuant to article 101(3) of the Articles, Mr. Luk Yue Kan (become director from 1 April 2015) will retire from office at the 2015 AGM. All of the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2015 AGM.

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

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the Interim Report 2014 are set out below:

Name of Director	Details of Changes
Mr. Li Chang fa	• The monthly salary increased from RMB92,300 to RMB96,915 plus discretionary bonus with effect from 1 January 2015.
Mr. Jiao Ying	• In November 2014, Mr. Jiao was admitted as an associate member of Association of International Accountants, United Kingdom.
Dr. Cheng Kar Shun	• The directors' fee increased from HK$262,500 per annum to HK$275,600 per annum with effect from 1 January 2015.
Mr. Lam Wai Hon, Patrick	• The directors' fee increased from HK$210,000 per annum to HK$220,500 per annum with effect from 1 January 2015.
Mr. Cheng Chi Ming, Brian	• The directors' fee increased from HK$210,000 per annum to HK$220,500 per annum with effect from 1 January 2015.
Mr. Tsui King Fai	• The directors' fee increased from HK$210,000 per annum to HK$220,500 per annum with effect from 1 January 2015.
Mr. Lee Kwan Hung	• The directors' fee increased from HK$210,000 per annum to HK$220,500 per annum with effect from 1 January 2015.
	• Resigned as an independent non-executive director of Yuexiu REIT Asset Management Limited (stock code: 405) and Far East Holdings International Limited (stock code: 36) on 7 October 2014 and 12 November 2014 respectively.
	• Appointed as a consultant of Howse Williams Bowers in 2014.
Mr. Wu Wai Leung, Danny	• The directors' fee increased from HK$210,000 per annum to HK$220,500 per annum with effect from 1 January 2015.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Biographical Information of Directors and Senior Management

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management's Profile" on pages 42 to 46.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2015 AGM has entered into any service agreement with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

Other than as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in note 28 to the consolidated financial statements, at the end of FY 2014 or at any time during FY 2014, there was no contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries or its Substantial Shareholders was a party subsisted, and in which a Director had, whether directly or indirectly, a material interest.

Directors' Interests in Competing Business

During FY 2014 and up to the date of this annual report, none of the Directors or their close associates (as defined under the Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 December 2014, 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:

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

(Continued)

Long Positions in Underlying Shares – Share Options

During FY 2014, some Directors have interests in the share options of the Company. Details of such interests and movements of the share options granted under the Pre-IPO Share Option Scheme (defined hereafter) are shown below:

Name	Date of grant	Exercisable period (Note)	Number of share options: Balance as at 01.01.14	Exercised during the year[2]	Adjusted during the year	Lapsed during the year	Balance as at 31.12.14	Exercise price per share HK$
Executive Director								
Jiao Ying	28 January 2011	(1)	4,000,000	–	–	–	4,000,000	1.75
Yu Shuxian[4]	28 January 2011	(1)	4,000,000	–	–	4,000,000	–	1.75
Independent Non-executive Directors								
Tsui King Fai	28 January 2011	(1)	800,000	–	–	–	800,000	1.75
Lee Kwan Hung	28 January 2011	(1)	800,000	–	–	–	800,000	1.75
Wu Wai Leung, Danny	28 January 2011	(1)	800,000	–	–	–	800,000	1.75
			10,400,000	–	–	4,000,000	6,400,000	

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 Directors during FY 2014.

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

(4) Ms. Yu Shuxian retired on 1 March 2014.

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

(Continued)

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

Save as disclosed above, as at 31 December 2014, neither the Directors nor the chief executives, nor any of their close 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 FY 2014, movements of the share options granted under the Pre-IPO Share Option Scheme are as follows:

(i) Share Option Movements of Directors

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

(ii) Share Option Movements of Senior Management of the Group and Other Eligible Participants

Details of movements of the share options granted to the senior management of the Group and other eligible participants are as follows:

		Number of share options					
Date of grant	**Exercisable period** (Note)	**Balance as at 01.01.14**	**Exercised during the year**[2]	**Adjusted during the year**[4]	**Lapsed during the year**	**Balance as at 31.12.14**	**Exercise price per share** HK$
28 January 2011	(1)	32,200,000	–	(3,000,000)	(600,000)	28,600,000	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 FY 2014.

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

(4) The share options held by one of the senior management were cancelled during FY 2014.

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

Rights to Purchase Shares or Debentures of Directors and Chief Executives

Other than as disclosed in the paragraph headed "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures" in this report, at no time during the year ended 31 December 2014 had the Company or any of its subsidiaries entered into any arrangement which enables the Directors or chief executives of the Company to have the right to subscribe for securities of the Company or any of its Associated Corporations or to acquire benefits by means of acquisition of Shares in or debentures of the Company or any of its Associated Corporations.

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

Long Position in Shares

As at 31 December 2014, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executives of the Company) who had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

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 78.58% 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 61.31% 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. VMS Holdings holds a 100% direct interest in VMS. Ms. Mak Siu Hang, Viola holds a 100% direct interest in VMS Holdings. Therefore, Ms. Mak Siu Hang, Viola, VMS Holdings and VMS are all deemed to be interested in all the Shares held by or deemed to be interested by Fast Fortune.

Save as disclosed above, the Directors are not aware of any persons (other than the Directors or chief executives of the Company) who, as at 31 December 2014, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

Sufficiency of Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public exceeds 25% of the Company's total number of issued Shares during FY 2014 and up to the date of this report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 41.

Connected Transactions

The following continuing connected transactions were recorded for FY 2014:

(I) Master Services Agreement

On 8 March 2013, a master services agreement (the "Agreement") was entered into between the Company and NWD, a Substantial Shareholder, whereby the Company agreed to (i) engage relevant members of NWD and its subsidiaries (the "NWD Group") to provide certain information technology, management and support services (the "Supporting Services") and (ii) lease premises from relevant members of the NWD Group (the "Leasing Transactions"), each for an initial term of three years commencing from 1 January 2013 to 31 December 2015 at respective annual cap of HK$2,700,000 for each of the three years ending 31 December 2015. Subject to re-compliance with the reporting, announcement and independent shareholders' approval requirements (to the extent applicable) under the Listing Rules, upon expiration of the initial term or subsequent renewal term, the Agreement will be automatically renewed for a successive period of three years thereafter.

During FY 2014, the total amount in respect of the Leasing Transactions was approximately HK$1,840,000 (equivalent to RMB1,456,000).

During FY 2014, the total amount for the Supporting Services was approximately HK$224,000 (equivalent to RMB178,000).

Details of the Agreement were set out in the announcement of the Company dated 8 March 2013 (the "Announcement").

(II) Annual review of the continuing connected transactions

The independent non-executive Directors have confirmed that the aforesaid continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties;

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(d) within the caps or the aggregate transaction values set out in the Announcement.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to review the disclosed continuing connected transactions of the Group for FY 2014 in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors of the Company have issued their unqualified letter containing their findings and conclusions in respect of the disclosed continuing connected transactions of the Group in this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided to the Stock Exchange.

Connected Transactions *(Continued)*

Save as disclosed above, a summary of significant related party transactions is disclosed in note 28 to the consolidated financial statements.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 120.

Annual General Meeting

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

Closure of Register of Members

The register of members of the Company will be closed from Monday, 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 2015 AGM, 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.

Auditors

The financial statements for FY 2014 have been audited by Messrs. Ernst & Young, who will retire at the 2015 AGM and, being eligible, offer themselves for re-appointment. A resolution for the reappointment of Messrs. Ernst & Young as auditors of the Company is to be proposed at the 2015 AGM.

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 26 March 2015

Independent Auditors' Report

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

We have audited the consolidated financial statements of Newton Resources Ltd (the "Company") and its subsidiaries (together, the "Group") set out on pages 60 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2015

Consolidated Statement of Comprehensive Income

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	4	**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	6	**5,212**	18,538
Loss from operations		**(45,814)**	(34,287)
Equity-settled share option expense	25	**(206)**	(615)
Loss before tax	5	**(46,020)**	(34,902)
Income tax expense	8	**(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)	11	**(1.15)**	(0.89)

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

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12	**713,835**	712,642
Intangible assets	13	**49,999**	50,088
Prepaid land lease payments	14	**3,408**	3,509
		767,242	766,239
Current assets			
Inventories	16	**7,969**	4,504
Prepayments, deposits and other receivables	17	**45,238**	41,549
Cash and bank balances	18	**601,855**	730,888
		655,062	776,941
Current liabilities			
Trade payables	19	**361**	268
Other payables and accruals	20	**61,100**	64,088
Interest-bearing bank borrowings	21	**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	22	**15,000**	22,660
Net assets		**1,022,649**	1,067,645
Equity			
Equity attributable to owners of the Company			
Share capital	23	**331,960**	331,960
Reserves	24(a)	**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

Li Changfa
Director

Jiao Ying
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2014

	Attributable to owners of the Company							
	Share capital RMB'000 Note 23	Share premium account RMB'000 Note 23	Capital reserves RMB'000	Share option reserve RMB'000 Note 25	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 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**

* These reserve accounts comprise the consolidated reserves of RMB688,322,000 (2013: RMB734,232,000) in the consolidated statement of financial position.

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	5	**10,458**	6,218
Amortisation of prepaid land lease payments	5	**101**	101
Amortisation of intangible assets	5	**89**	–
Write-down of inventories to net realisable value	5	**807**	–
Loss on disposal/write-off of items of property, plant and equipment	5	**–**	9,294
Finance income, net	6	**(5,212)**	(18,538)
Equity-settled share option expense	25	**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

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	**601,855**	730,888
Restricted bank deposits	18	**(1,190)**	(1,188)
Cash and cash equivalents at end of year		**600,665**	729,700

Statement of Financial Position

31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	12	**229**	996
Investments in subsidiaries	15(a)	**36,665**	36,665
		36,894	37,661
Current assets			
Due from subsidiaries	15(b)	**990,933**	987,427
Prepayments, deposits and other receivables	17	**2,930**	1,041
Cash and bank balances	18	**442,875**	488,280
		1,436,738	1,476,748
Current liabilities			
Due to subsidiaries	15(b)	**53,403**	15,341
Other payables and accruals		**4,880**	4,845
Interest-bearing bank borrowings	21	**315,560**	381,307
Income tax payable		**3,003**	2,763
		376,846	404,256
Net current assets		**1,059,892**	1,072,492
Total assets less current liabilities		**1,096,786**	1,110,153
Net assets		**1,096,786**	1,110,153
Equity			
Share capital	23	**331,960**	331,960
Reserves	24(b)	**764,826**	778,193
Total equity		**1,096,786**	1,110,153

Li Changfa
Director

Jiao Ying
Director

1. Corporate Information

Newton Resources Ltd (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the principal activity of the Company is investment holding and the principal activities of its subsidiaries include mining, processing and sale of iron concentrates and gabbro-diabase and stone products in the People's Republic of China (the "PRC" or "Mainland China").

2.1 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 Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 Basis of Preparation *(Continued)*

Basis of consolidation *(Continued)*

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated loss, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 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.

2.3 Issued But Not Yet Effective IFRSs and New Disclosure Requirements Under The Hong Kong Companies Ordinance Not Yet Adopted

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.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries that are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure, is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Motor vehicles, fixtures and others	3-15 years
Machinery	10-15 years

Depreciation of mining infrastructure is calculated using the units of production ("UOP") method to depreciate the cost of the assets proportionately to the extraction of the proved and probable mineral reserves. The mining infrastructure is estimated to have a useful life up to 2044.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the costs of inventories or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, or mineable reserve development. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs

As part of its mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using the UOP method. The capitalisation of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. Factors used to determine when a mine has commenced production are set out in the 'Production start date' note (refer to Note 3(d)).

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable

b) The component of the ore body for which access will be improved can be accurately identified

c) The costs associated with the improved access can be reliably measured

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires approval.

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of “Mining infrastructure” in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating units, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. Mining rights include the cost of acquiring mining licenses, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights, with a life longer than or equal to the licensee life, are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the UOP method, which are estimated to have a useful life up to 2044. Mining rights are written off to the consolidated statement of comprehensive income when the mining property is abandoned.

Exploration rights and assets

Exploration rights are stated at cost less accumulated amortisation and any impairment losses and exploration assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and deferred amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration rights are amortised over the term of rights. Equipment used in exploration is depreciated over its useful life, or, if dedicated to a particular exploration project, over the life of the project on the straight-line basis, whichever is shorter. Amortisation and depreciation is included, in the first instance, in exploration rights and assets and are transferred to mining rights when it can be reasonably ascertained that an exploration property is capable of commercial production.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless it is concluded that a future economic benefit is more likely to be realised than not. When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to mining infrastructure or mining right and amortised using the UOP method based on the proved and probable mineral reserves. Exploration and evaluation assets are written off to the consolidated statement of comprehensive income when the exploration property is abandoned.

2.4 Summary of Significant Accounting Policies *(Continued)*

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

The Group's financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of comprehensive income.

Financial liabilities at amortised cost

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of interest-bearing bank borrowings, net of directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

2.4 Summary of Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of comprehensive income.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mine in accordance with the PRC rules and regulations. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based on detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure. Over time, the discounted liability is increased for the change in present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "finance costs" in the consolidated statement of comprehensive income. The asset is depreciated using the UOP method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur at the appropriate discount rate.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates share option schemes for the purpose of providing rewards to eligible participants who contribute to the success of the completion of the listing of the Company's shares (the "Listing") or the Group's operations. Eligible participants receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants on 28 January 2011 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the consolidated financial statements.

2.4 Summary of Significant Accounting Policies *(Continued)*

Share-based payments *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which service condition is fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

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

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

Employee benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") in accordance with the rules of the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a statutory rate of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record a reserve for technically obsolete assets that have been abandoned.

(b) Impairment of property, plant and equipment

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The carrying value of the property, plant and equipment, is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

Estimation uncertainty *(Continued)*

(c) Mine reserves

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated on regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

(d) Production start date

The Group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from "Construction in progress" to the appropriate category of "Property, plant and equipment". Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction cost estimates
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce iron concentrates in saleable form (within specifications)
- Ability to sustain ongoing production of iron concentrates/gabbro-diabase and stone products

When a mine development/construction project moves into the production stage, the capitalisation of certain mine development/construction costs ceases and costs are either regarded as forming part of the costs of inventories or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, mining infrastructure development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

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

Estimation uncertainty *(Continued)*

(e) Stripping costs

The Group incurs stripping costs during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalised in property, plant and equipment, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the UOP method in determining the depreciable lives of the stripping activity asset(s).

(f) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries that consume the Group's products. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2014 was RMB7,969,000 (2013: RMB4,504,000), details of which are included in note 16 to the consolidated financial statements.

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

Estimation uncertainty *(Continued)*

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

The Group granted options under the Pre-IPO Share Option Scheme (as defined in note 25) in the prior year and the principal assumptions used in the estimation of fair value of the Pre-IPO Share Options (as defined in note 25) include dividend yield, expected volatility, risk-free interest rate, expected life of options, weighted average share price and annual post-vesting forfeiture rate (staff turnover rate). The fair value of each unit of Pre-IPO Share Options granted was valued at HK$0.19.

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

4. Revenue and 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.

4. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

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

4. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	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

4. Revenue and Segment Information *(Continued)*

Information about major customers

During the year ended 31 December 2014, there was one customer (2013: one customer) 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.

5. Loss Before Tax

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

	Notes	**2014 RMB'000**	2013 RMB'000
Cost of inventories sold		**1,065**	7,002
Depreciation of items of property, plant and equipment	12	**10,458**	6,218
Minimum lease payments under operating leases for office tenancy		**2,105**	2,595
Amortisation of prepaid land lease payments	14	**101**	101
Amortisation of intangible assets	13	**89**	–
Auditors' remuneration (including out-of-pocket expenses)		**1,643**	1,700
Write-down of inventories to net realisable value	16	**807**	–
Loss on disposal/write-off of items of property, plant and equipment		**–**	9,294
Employee benefit expense (excluding directors' remuneration (note 7))			
– Wages and salaries		**18,189**	18,136
– Equity-settled share option expense		**139**	324
– Pension scheme contributions		**637**	610

6. Finance Income

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

	2014 RMB'000	2013 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

7. Emoluments of Directors and Senior Management

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

	Group	
	2014 RMB'000	2013 RMB'000
Fees	**1,038**	1,044
Other emoluments:		
Salaries, allowances and benefits in kind	**2,667**	2,909
Discretionary bonuses	**231**	240
Equity-settled share option expense	**67**	291
Pension scheme contributions	**–**	–
	2,965	3,440
	4,003	4,484

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

(a) Executive directors and non-executive directors

The remuneration paid to executive and non-executive directors during the years ended 31 December 2014 and 2013 were as follows:

2014	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Executive directors:					
Mr. Li Changfa [1]	–	923	231	–	1,154
Mr. Jiao Ying	–	1,594	–	36	1,630
Ms. Yu Shuxian [2]	–	150	–	10	160
	–	2,667	231	46	2,944
Non-executive directors:					
Dr. Cheng Kar Shun	208	–	–	–	208
Mr. Lam Wai Hon, Patrick	166	–	–	–	166
Mr. Cheng Chi Ming, Brain	166	–	–	–	166
	540	–	–	–	540
Total	540	2,667	231	46	3,484

(1) Appointed on 1 March 2014
(2) Retired on 1 March 2014

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

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

2013	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
Executive directors:					
Ms. Yu Shuxian	–	900	100	75	1,075
Mr. Jiao Ying	–	1,477	140	75	1,692
Mr. Li Yuelin [1]	–	532	–	96	628
	–	2,909	240	246	3,395
Non-executive directors:					
Dr. Cheng Kar Shun	209	–	–	–	209
Mr. Lam Wai Hon, Patrick	167	–	–	–	167
Mr. Cheng Chi Ming, Brain	167	–	–	–	167
	543	–	–	–	543
Total	543	2,909	240	246	3,938

[1] Resigned on 24 September 2013

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

(b) Independent non-executive directors

The remuneration paid to independent non-executive directors during the years ended 31 December 2014 and 2013 were as follows:

	Fees RMB'000	Equity-settled share option expense RMB'000	Total RMB'000
2014			
Mr. Tsui King Fai	**166**	**7**	**173**
Mr. Lee Kwan Hung	**166**	**7**	**173**
Mr. Wu Wai Leung, Danny	**166**	**7**	**173**
	498	**21**	**519**
2013			
Mr. Tsui King Fai	167	15	182
Mr. Lee Kwan Hung	167	15	182
Mr. Wu Wai Leung, Danny	167	15	182
	501	45	546

(c) Five highest paid individuals

The five highest paid individuals during the year included two (2013: two) directors with details of directors' remuneration set out in note 7(a) above, and three (2013: three) employees of the Group, who are neither a director nor chief executive of the Company. The following table showed the details of remuneration paid to three (2013: three) highest paid individuals as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Salaries, bonuses, allowances and benefits in kind	**2,962**	2,993
Equity-settled share option expense	**27**	6
Pension scheme contributions	**45**	35
	3,034	3,034

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

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

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

	Number of Individual(s)	
	2014	2013
HK$1,500,001 to HK$2,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	3
	3	3

In a prior year, certain directors and a non-director and non-chief executive, highest paid individuals were granted share options, in respect of their services to the Group, under the Pre-IPO Share Options Scheme of the Company, further details of which are set out in note 25 to the consolidated financial statements. The fair value of the Pre-IPO Share Options, which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current and prior years is included in the above directors' and non-director and non-chief executive, highest paid individuals' remuneration disclosures for the respective years.

During the year ended 31 December 2014, no emoluments were paid by the Group to any of the persons who are directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(d) Emoluments of senior management

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

8. Income Tax

The provision for 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.

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

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

	Group			
	2014		2013	
	RMB'000	**%**	RMB'000	%
Loss before tax	**(46,020)**		(34,902)	
Tax at the statutory tax rate	**(11,505)**	**25**	(8,726)	25
Income not subject to tax	**(4,501)**	**10**	(7,726)	22
Expenses not deductible for tax	**8,274**	**(18)**	7,247	(21)
Tax losses not recognised	**8,154**	**(18)**	10,231	(29)
Tax charge at the Group's effective rate	**422**	**(1)**	1,026	(3)

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB74,407,000 (2013: RMB41,791,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses can be utilised by the Group.

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

The consolidated loss attributable to owners of the Company for the year ended 31 December 2014 includes a loss of RMB13,573,000 (2013: a profit of RMB2,276,000) which has been dealt with in the financial statements of the Company (note 24(b)).

10. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: Nil).

11. 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 **RMB'000**	2013 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.

12. Property, Plant and Equipment

Group

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 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

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

Company

	Fixtures and others RMB'000
Cost:	
At 1 January 2013	745
Additions	1,168
Write-off	(490)
At 31 December 2013 and 1 January 2014	1,423
Additions	63
Write-off	(935)
At 31 December 2014	551
Accumulated depreciation:	
At 1 January 2013	(260)
Provided for the year	(657)
Write-off	490
At 31 December 2013 and 1 January 2014	(427)
Provided for the year	(830)
Write-off	935
At 31 December 2014	(322)
Net carrying amount:	
At 31 December 2014	229
At 31 December 2013	996

13. Intangible Assets

The Group's intangible assets represent mining rights at the Yanjiazhuang Mine located in Lincheng County, Hebei Province, the PRC. The mining permit is valid until 26 July 2017.

	Group	
	2014 **RMB'000**	2013 RMB'000
Costs:		
At beginning of the year and end of the year	**50,088**	50,088
Accumulated amortisation:		
At beginning of the year	**–**	–
Accumulated amortisation	**(89)**	–
At end of the year	**(89)**	–
Net carrying amount:		
At end of the year	**49,999**	50,888

14. Prepaid Land Lease Payments

	Group	
	2014 **RMB'000**	2013 RMB'000
Carrying amount at 1 January	**3,610**	3,711
Recognised during the year	**(101)**	(101)
Carrying amount at 31 December	**3,509**	3,610
Current portion included in prepayments, deposits and other receivables	**(101)**	(101)
Non-current portion	**3,408**	3,509

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

15. Investments In Subsidiaries

(a)

	Company 2014 RMB'000	Company 2013 RMB'000
Unlisted shares, at cost	**36,665**	36,665

Particulars of the principal subsidiaries as at 31 December 2014 are as follow:

Company name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up shares/ registered capital	Percentage of equity interests attributable to the Company (%) Direct	Indirect	Principal activities
Jet Bright Limited 仲耀有限公司	Hong Kong	HK$1,189	–	100	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd 臨城興業礦產資源有限公司*	PRC/Mainland China	US$50,000,000 (paid-up/registered)	–	99	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products

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

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

(b) The amounts due from/(to) subsidiaries, as disclosed in the Company's statement of financial position, are unsecured, interest-free and repayable on demand.

16. Inventories

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials and spare parts	**3,979**	4,504
Finished products	**4,797**	–
	8,776	4,504
Inventory provision	**(807)**	–
	7,969	4,504

17. Prepayments, Deposits and Other Receivables

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

	Group	
	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

17. Prepayments, Deposits and Other Receivables *(Continued)*

	Company	
	2014 **RMB'000**	2013 RMB'000
Bank interest receivables	**2,098**	202
Deposits	**389**	387
Others	**443**	452
	2,930	1,041

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

None of the above assets is either past due or impaired. The financial assets included in the above relate to receivables for which there was no recent history of default.

18. Cash and Bank Balances

	Group		Company	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Cash and bank balances	**10,855**	10,326	**1,875**	6,630
Time deposits	**591,000**	720,562	**441,000**	481,650
	601,855	730,888	**442,875**	488,280
Less: Restricted bank deposits (note 32)	**(1,190)**	(1,188)	**–**	–
Cash and cash equivalents	**600,665**	729,700	**442,875**	488,280

18. Cash and Bank Balances *(Continued)*

Cash and bank balances are denominated in RMB as at 31 December 2014 and 2013, except for the following:

	Group		Company	
(RMB equivalent)	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Cash and bank balances denominated in:				
United States Dollars ("USD")	**32**	56	**3**	15
Hong Kong Dollars ("HK$")	**2,841**	1,924	**1,619**	1,794
	2,873	1,980	**1,622**	1,809

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and bank balances in the consolidated statement of financial position approximate to their fair values.

19. Trade Payables

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

	Group	
	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.

20. Other Payables and Accruals

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Payables to suppliers or contractors for the addition of items of property, plant and equipment	**33,464**	38,038	**–**	–
Gabbro-diabase resources fees payable, current portion	**7,160**	7,160	**–**	–
Accrued interest expenses	**3,372**	3,194	**64**	545
Other payables	**17,104**	15,696	**4,816**	4,300
	61,100	64,088	**4,880**	4,845

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

21. Interest-bearing Bank Borrowings

	Group and Company			
	2014		2013	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank borrowings unsecured and repayable on demand	**2.12-3.01**	**315,560**	2.21-2.33	381,307

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

22. Long-Term Payables

	Group	
	2014 RMB'000	2013 RMB'000
Gabbro-diabase resources fees payable	**14,320**	21,480
Compensation payables to farmers	**680**	1,180
	15,000	22,660

The gabbro-diabase resources fees payable represents the remaining instalments of resources fees payable in 2016 to 2017 regarding the mining permit received in 2012. It bears interest at the RMB loan prime rate.

23. Share Capital

Shares

	Group and Company	
	2014	2013
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	RMB'000	RMB'000
Issued and fully paid:		
4,000,000,000 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 25 to the consolidated financial statements.

24. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 62 of the consolidated financial statements.

24. Reserves *(Continued)*

(b) Company

	Share premium account RMB'000 Note 23	Capital reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	719,871	77,163	8,399	(30,131)	775,302
Profit for the year	–	–	–	2,276	2,276
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive income for the year	–	–	–	2,276	2,276
Equity-settled share option arrangements	–	–	615	–	615
At 31 December 2013 and 1 January 2014	**719,871**	**77,163**	**9,014**	**(27,855)**	**778,193**
Loss for the year	**–**	**–**	**–**	**(13,573)**	**(13,573)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(13,573)**	**(13,573)**
Equity-settled share option arrangements	**–**	**–**	**206**	**–**	**206**
At 31 December 2014	**719,871**	**77,163**	**9,220**	**(41,428)**	**764,826**

In accordance with the articles of association of the Company and the Companies Law (2013 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

24. Reserves *(Continued)*

(b) Company *(Continued)*

The capital reserves of the Group and the Company represented:

- the paid-in capital of the subsidiaries now comprising the Group, after eliminating intra-group investments before the foundation of the Company. These capital injections were made by the equity holders of the Group to Venca Investments Limited (a wholly-owned subsidiary for the Group), which are treated as contributions from the equity holders of the Company in the consolidated financial statements; and

- the remaining unpaid amount due to the then immediate holding company that was waived upon the Listing.

The share option reserve of the Group and the Company comprises the fair value of share options granted which are yet to be exercised, as further explained in note 25 to the consolidated financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

25. Share Option Schemes

(a) Pre-IPO share option scheme

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

In 2011, options (the "Pre-IPO Share Options") to subscribe for an aggregate of 133,300,000 shares (equivalent to 3.3% of the issued share capital of the Company at the date of grant as adjusted for the capitalisation issue in 2011), at an exercise price equivalent to the offer price of HK$1.75 per share have been granted by the Company under the Pre-IPO Share Option Scheme.

The grantees to whom an option has been granted under this Pre-IPO Share Option Scheme shall be entitled to exercise his/her option in the following manner:

(i) Option for 40% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the first anniversary of the Listing;

(ii) Option for 30% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the second anniversary of the Listing; and

(iii) Option for 30% of the shares that are subject to the option so granted under the Pre-IPO Share Option Scheme shall vest on the date of the third anniversary of the Listing.

25. Share Option Schemes *(Continued)*

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

The grantees may exercise all or part of the vested option at any time from the respective vesting date until the expiry date, i.e., in respect of an option under the Pre-IPO Share Option Scheme, the date of the expiry of the option as may be determined by the board of directors of the Company which shall not be later than the fourth anniversary of the Listing.

The shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, shares allotted and issued on the exercise of options will rank pari passu and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid shares in issue on the date of exercise, save that they will not rank for any dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of exercise.

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

	Number of options	
	2014	2013
	’000	’000
At 1 January	**42,600**	49,500
Forfeited during the year	**(7,600)**	(6,900)
At 31 December	**35,000**	42,600

The fair value of the Pre-IPO Share Options granted in the prior year was HK$25,327,000 (HK$0.19 each, equivalent to approximately RMB21,404,000 in total) of which the Group recognised a share option expense of RMB206,000 (2013: RMB615,000) during the year.

The fair value of equity-settled share options granted in 2011 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted.

25. Share Option Schemes *(Continued)*

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

The following table lists the inputs to the model used:

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

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

At the end of the reporting period and at the date of approval of these financial statements, the Company had 35,000,000 and 32,000,000 share options, respectively, outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.9% and 0.8% of the Company's shares in issue at the respective dates.

(b) 2010 share option scheme

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

25. Share Option Schemes *(Continued)*

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

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

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

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

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

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

During the year ended 31 December 2014, and at the end of the reporting period and at the date of approval of these financial statements, no option has been granted under the 2010 Share Option Scheme.

26. Operating Lease Arrangements

As lessee

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

As at 31 December 2014, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014 **RMB'000**	2013 RMB'000
Within one year	**273**	1,784

	Company	
	2014 **RMB'000**	2013 RMB'000
Within one year	**–**	1,461

27. Commitments

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

	Group	
	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

28. Related Party Transactions

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

(a) Related party transactions

	Group and Company	
	2014 **RMB'000**	2013 RMB'000
Leasing of office premises from a subsidiary of a substantial shareholder of the Company		
New World Tower Company Limited	**1,456**	1,770
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company		
CiF Solutions Ltd	**178**	172

These transactions constitute continuing connected transactions which have also been disclosed in the Report of the Directors pursuant to Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

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

29. Financial Instruments by Category

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

Group

	2014 RMB'000	2013 RMB'000
Financial assets – Loans and receivables		
Financial assets included in prepayments, deposits and other receivables	**8,205**	6,545
Cash and bank balances	**601,855**	730,888
	610,060	737,433
Financial liabilities – at amortised cost		
Trade payables	**361**	268
Financial liabilities included in other payables and accruals	**61,100**	64,088
Interest-bearing bank borrowings	**315,560**	381,307
Long-term payables	**15,000**	22,660
	392,021	468,323

Company

	2014 RMB'000	2013 RMB'000
Financial assets – Loans and receivables		
Due from subsidiaries	**990,933**	987,427
Financial assets included in prepayments, deposits and other receivables	**2,930**	1,041
Cash and bank balances	**442,875**	488,280
	1,436,738	1,476,748
Financial liabilities – at amortised cost		
Due to subsidiaries	**53,403**	15,341
Financial liabilities included in other payables and accruals	**4,880**	4,845
Interest-bearing bank borrowings	**315,560**	381,307
	373,843	401,493

30. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, deposits and other receivables, amounts due from/(to) subsidiaries, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the long-term payables is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

31. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include cash and bank balances and deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include trade payables, other payables and accruals, interest-bearing bank borrowings and long-term payables.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Group's financial risk management policies seek to ensure that adequate resources are available to manage the above risks and to maximise value for its shareholders. The board of directors reviews these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings and long-term payables with floating interest rates.

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

With all other variables held constant, a change in interest rates of 0.25% per annum would cause a corresponding change in the Group's loss before tax and accumulated losses by approximately RMB1,016,000 for the year ended 31 December 2014 (2013: RMB1,101,000).

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

Foreign currency risk

The Group businesses are located in the PRC and most of the transactions are conducted in RMB. Except for the Group's HKD denominated bank borrowings and certain cash and 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.

Credit risk

The Group trades only with recognised and creditworthy third parties, and generally requires deposits received in advance. It is the Group's policy that receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and bank balances and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group generally requires deposits received in advance, there is no requirement for collateral. There is no significant credit risk to the Group as the Group usually receives deposits in advance from customers.

Liquidity risk

The Group has a funding and treasury policy to monitor its funding requirements and perform on-going liquidity review. This tool considers 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.

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

Liquidity risk *(Continued)*

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

Group

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
2014				
Trade payables	**172**	**189**	**–**	**361**
Other payables and accruals	**–**	**61,100**	**–**	**61,100**
Interest-bearing bank borrowings	**315,560**	**–**	**–**	**315,560**
Long-term payables	**–**	**–**	**15,000**	**15,000**
	315,732	**61,289**	**15,000**	**392,021**
2013				
Trade payables	155	113	–	268
Other payables and accruals	–	64,088	–	64,088
Interest-bearing bank borrowings	381,307	–	–	381,307
Long-term payables	–	–	22,660	22,660
	381,462	64,201	22,660	468,323

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

Liquidity risk *(Continued)*

Company

	On demand RMB'000	Less than 1 year RMB'000	Total RMB'000
2014			
Due to subsidiaries	**53,403**	**–**	**53,403**
Other payables and accruals	**–**	**4,880**	**4,880**
Interest-bearing bank borrowings	**315,560**	**–**	**315,560**
	368,963	**4,880**	**373,843**
2013			
Due to subsidiaries	15,341	–	15,341
Other payables and accruals	–	4,845	4,845
Interest-bearing bank borrowings	381,307	–	381,307
	396,648	4,845	401,493

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing financial risk during the years ended 31 December 2014 and 2013.

32. 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 designated an independent firm of quantity surveyors (the "Surveying Company") to assess the value of the construction work that had 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 of 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 ended 31 December 2014, 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.

33. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2015.

Five-Year Financial Summary

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

Results

	For the year ended 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Revenue	**1,263**	2,163	–	45,944	–
(Loss)/profit before tax	**(46,020)**	(34,902)	(34,536)	7,425	(2,948)
Income tax expense	**(422)**	(1,026)	(1,343)	(5,053)	–
(Loss)/profit for the year	**(46,442)**	(35,928)	(35,879)	2,372	(2,948)

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Non-current assets	**767,242**	766,239	778,886	676,493	357,811
Current assets	**655,062**	776,941	839,663	961,489	116,931
Current liabilities	**(384,655)**	(452,875)	(485,771)	(500,621)	(438,490)
Non-current liabilities	**(15,000)**	(22,660)	(29,820)	(1,180)	(1,180)
Total equity	**1,022,649**	1,067,645	1,102,958	1,136,181	35,072
Non-controlling interests	**(2,367)**	(1,453)	(1,862)	(2,113)	(1,325)
Equity attributable to owners of the Company	**1,020,282**	1,066,192	1,101,096	1,134,068	33,747

Glossary of Terms

In this annual 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
"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" or "HKSAR"	The Hong Kong Special Administrative Region of the PRC
"Interim Report 2014"	the interim report of the Company for the six-month period ended 30 June 2014
"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
"NWD"	New World Development Company Limited
"NWS"	NWS Holdings Limited
"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

Glossary of Terms

"Phase Three"	the third phase of the Company's three-phase expansion plan, to achieve total mining and ore processing capacities of 10,500,000 tpa to produce approximately 2,655,000 tpa of iron concentrates
"PRC" or "Mainland China"	The People's Republic of China for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"Safety Authority"	the relevant government authority for the granting of production safety permit(s) for iron mining and gabbro-diabase products
"SFO"	Securities and Futures Ordinance
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Shougang Hong Kong"	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"TFe"	average total iron grade
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye Mining"	Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a subsidiary of the Company as to 99.0% of its equity interest
"Yanjiazhuang Mine"	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊礦), an iron and gabbro-diabase mine located in Yanjiazhuang 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

Mr. Li Changfa
Mr. Jiao Ying

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
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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

Room 1505
15th Floor, New World Tower
16-18 Queen's Road Central
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
Level 22, Hopewell Centre
183 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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