



新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231



2015

Interim Report

Contents

2	Chairman’s Statement
3	Management Discussion and Analysis
16	Report on Review of Interim Financial Information
	Interim Financial Information
17	Condensed Consolidated Statement of Comprehensive Income
18	Condensed Consolidated Statement of Financial Position
19	Condensed Consolidated Statement of Changes in Equity
20	Condensed Consolidated Statement of Cash Flows
21	Notes to Condensed Consolidated Interim Financial Information
35	Other Information
41	Glossary of Terms
43	Corporate Information

Chairman's Statement

Dear Shareholders,

In the first half of 2015, the Group kept exploring different possibilities, including the gabbro-diabase and crushed stone processing operation, which gave fresh impetus to the Group and targets to create favourable conditions at the Yanjiazhuang Mine for its future growth. However, the trial production of iron concentrates at the Yanjiazhuang Mine has not yet resumed.

The management is making every possible 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 after resolving the local issues and obtaining the necessary consents.

In the first half of 2015, the economic growth in the PRC has been slowing down. Further, with the ongoing environmental and pollution concerns expressed by the PRC government, the persisting oversupply of iron ores and the weak iron concentrate prices, the market environment has posed uncertainties over the development of the Group's iron concentrate business.

The growing concern of the PRC government about, and the importance attached by the PRC government to, environmental protection in Mainland China, especially in Beijing and Hebei Province, could prompt it to further tighten environmental protection policies towards heavily polluting industries. To cope with 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, I believe that the business development of the Yanjiazhuang Mine will continue to be full of challenges under the current operating environment. The Group targets to further expand the infrastructure investment to bring the new gabbro-diabase business to a commercial scale after the pilot products have tested the market. Apart from the above businesses, the Group will cautiously explore mergers and acquisitions opportunities to achieve sustainable development.

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 August 2015

Management Discussion and Analysis



Market Overview

In the first half of 2015, the growth rate of the PRC's gross domestic product was 7%, which was slightly lower than that for last year, signaling a slip in domestic economic growth. International iron ore prices have continued to slide in tandem with a drop in market demand for iron ores due to the persisting oversupply in the international iron ore market and the impact of a slowdown in steel production in Mainland China.

Apart from that, the oversupply of iron ores in the domestic market in 2014 continued through the first half of 2015. Iron ore prices continued to sink and remained fluctuate. In view of the sluggish demand for and falling prices of steel, most of the domestic steel mills took the initiative to scale down their production. Furthermore, steel production output in Mainland China is expected to slow down further and the adjustments brought by the oversupply of iron ores will continue for an extended period, given that the PRC government will further implement measures to optimise the economic structure and restrict or even shut down heavily polluting steel mills with low technology level.

Moreover, in view of the heavy pollution problem in Beijing and its neighbouring areas and the implementation of the new Environmental Protection Law in 2015 by the PRC government, it could be anticipated that environmental policies towards heavily polluting industries, such as mining in Hebei Province, will be further tightened, which might adversely affect our iron concentrate business at the Yanjiazhuang Mine.

Gabbro-diabase is a kind of high-end granite stone building materials used by the construction industry and has quality advantages over other stone materials. However, the property market, particularly the domestic market, takes a conservative approach since the economic growth in China declined further during the first half of 2015. As a result, demand for building materials such as gabbro-diabase and crushed stones saw a decreasing trend. Nonetheless, there are still favourable market factors amid the weakening sentiment. In view of the active implementation of the "One Belt, One Road" initiative and other economic stimuli by the central government, future demand for iron ores and construction-related materials is expected to recover.

Business Review

During the Reporting Period, the Group kept exploring different possibilities, including the gabbro-diabase and crushed stone business. Through the management's extensive efforts, such as investing in the gabbro-diabase and crushed stone business at the Yanjiazhuang Mine, exploring employment arrangement with local villagers and carrying out studies on possible ways to recruit more villagers, the Group is expecting to build a closer relationship with the local community so as to expedite the land expropriation process. Looking ahead, the management will focus on pushing forward the sale of gabbro-diabase and crushed stones in order to create new cash flow for the Group. Despite the modest progress of investment in the gabbro-diabase and crushed stone business, disputes over land expropriation and local problems have not been fully resolved, thereby preventing the Group from resuming the trial production of iron concentrates at the Yanjiazhuang Mine.

Management Discussion and Analysis

Business Review *(Continued)*

Iron Concentrate Business

During the first half of 2015, 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, and the trial production of iron concentrates at the Yanjiazhuang Mine has yet to be resumed.

Following the recruitment of talents who are experienced in local affairs to join the management team in 2014, the Yanjiazhuang Mine has gradually established mutual trust and understanding with the neighbouring villages. In addition, the Yanjiazhuang Mine 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, the neighbouring areas. This creates the necessary conditions for our next move to resolve the land expropriation issues that have long plagued the Yanjiazhuang Mine.

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 deep 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 remained weak during the Reporting Period which have presented uncertainties over the future development of the Group's iron concentrate business.

The Group aims to resume the operation in a timely and smooth manner and under an economically viable scale after resolving the local issues and obtaining the necessary consents 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, and keep up the high awareness of mine safety and environmental protection measures.

The expansion plans of the Yanjiazhuang Mine were hindered by the disputes arising from land expropriation. During the Reporting Period, the relevant construction works remained suspended. For details, please refer to the section headed "Capital Expenditure and Infrastructure Development".

Gabbro-Diabase Business

During the Reporting Period, the Group has been proactively developing the gabbro-diabase business with a view to creating new cash flow from this new business segment. The Yanjiazhuang Mine has gradually commenced the production of crushed stones and decorative slabs in 2014. During the Reporting Period, approximately 30,000 tonnes of crushed stone products were processed for sale to toll road operators after the pilot products have tested the market. Meanwhile, the Yanjiazhuang Mine was also evaluating the feasibility of selling, and has made preparation for the production of, ballast as high-speed railway paving. During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products.



Management Discussion and Analysis

Business Review *(Continued)*

Gabbro-Diabase Business *(Continued)*

Due to the development of nearby highway infrastructure, demand for crushed stones for highway paving has increased drastically. In order to seize this market opportunity and lay a groundwork for its gabbro-d diabase business, the Yanjiazhuang Mine has completed the construction of the new production facility and installed certain mining and processing equipment last year for the production of crushed stones and decorative slabs. During the Reporting Period, to diversify the Group's crushed stone offerings, satisfy the needs of the market and the customers, and expand its crushed stone production capacity, the Group commenced the construction of the second crushed stone production facility at the Yanjiazhuang Mine, which is expected to commence testing in the second half of 2015. Apart from crushed stone processing, the management continued to study the possibility of developing other gabbro-d diabase products and expanding into other markets. The Group expects to move on to commercial production as soon as its technique and products are accepted by the customers.

Through the scheme to award employees based on their production outputs, the Yanjiazhuang Mine has recruited more local labour force in its processing operation. It offers income source to, and an opportunity for the Yanjiazhuang Mine to further improve its relationship with, local villagers. To explore the gabbro-d diabase and crushed stone business, the Yanjiazhuang Mine has also recruited talented sales professionals to expand its local sales team in order to accelerate the establishment of its sales network and customer base. In addition, it conducted exchanges in various aspects with its industry peers with the aim of boosting the productivity and profitability of the gabbro-d diabase and crushed stone business.

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

With respect to the application for the production safety permit for the gabbro-d 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-d 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 its control.

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

Management Discussion and Analysis

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB2.5 million, mainly on the construction of the second crushed stone production facility, acquisition of certain mining and processing equipment for gabbro-diabase production and the payments on 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 and the Group did not incur any capital expenditure of the iron concentrate business during the Reporting Period.

Capital expenditure of the iron concentrate business during the six-month periods ended 30 June 2015 and 2014 are indicated below:

	Six-month period ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Construction costs	–	2.0
Equipment and others	–	0.2
Total	–	2.2

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 (Nil for Corresponding Prior Period).

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.

Management Discussion and Analysis



Capital Expenditure and Infrastructure Development *(Continued)*

Gabbro-Diabase Business

During the Reporting Period, the Group is constructing the second crushed stone production facility and acquisition of certain mining and processing equipment for the production of decorative slabs.

Capital expenditure of the gabbro-diabase business during the six-month periods ended 30 June 2015 and 2014 are indicated below:

	Six-month period ended 30 June	
	2015 RMB'million (Unaudited)	2014 RMB'million (Unaudited)
Construction costs	1.3	4.9
Equipment and others	1.1	2.0
Total	2.4	6.9

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 RMB3.0 million (approximately RMB4.2 million for the Corresponding Prior Period).

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 the 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 (Nil for the Corresponding Prior Period).

Gabbro-Diabase Business

During the Reporting Period, the Group did not generate any revenue from gabbro-diabase business and therefore no production cost has been recognised as the cost of sales (Nil for the Corresponding Prior Period).

Management Discussion and Analysis

Iron Ore Resource and Reserve Estimates

During the Reporting Period, the Group has yet to resume its production of iron concentrates at the Yanjiazhuang Mine and there were no significant changes in the Group's mineral resources and ore reserves prepared under the JORC Code as at 30 June 2015 as compared to those disclosed in the annual report 2014 of the Company.

The mining permit of the Yanjiazhuang Mine 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.

Gabbro-Diabase Resource Estimates

During the Reporting Period, the Group conducted very limited scale of mining activities at the Yanjiazhuang Mine, and the gabbro-diabase ore resources was largely the same as those disclosed in the annual report 2014 of the Company.

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

The Group has been placing high attention on production safety and environmental protection. Therefore, the Yanjiazhuang Mine has established a department responsible for production safety and management. This department had been consistently promoting safety standards and strengthening environmental protection measures so as to increase the Group's sense of social responsibility and safety awareness. During the Reporting Period, 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 cope with the potential policy impact on its business, the Group will keep abreast of the latest regulatory requirements and adopt appropriate environmental measures from time to time to facilitate its operation and production at the Yanjiazhuang Mine.

Interim Dividend

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



Management Discussion and Analysis

Financial Review

During the Reporting Period, approximately 30,000 tonnes of crushed stone products were processed and preparations for the production of ballast have also been made at the Yanjiazhuang Mine. During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products (Nil for the Corresponding Prior Period).

The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period (Nil for the Corresponding Prior Period).

The net loss for the Reporting Period was approximately RMB10.1 million (approximately RMB28.2 million for the Corresponding Prior Period). The loss attributable to owners of the Company amounted to approximately RMB10.0 million (approximately RMB28.1 million for the Corresponding Prior Period). The basic and diluted loss per share for the Reporting Period was approximately RMB0.25 cent (approximately RMB0.70 cent for the Corresponding Prior Period).

The decrease in net loss was mainly attributed to the decrease in administrative expenses, which was caused by the Group's effort to adopt various cost control measures and carry out organisational restructuring last year, and the stabilised foreign exchange movements resulting in a reduced exchange loss for the Reporting Period as compared to the Corresponding Prior Period.

Revenue and Gross Profit

During the Reporting Period, the Group did not sell any crushed stones or gabbro-diabase products (Nil for the Corresponding Prior Period).

The Group had not resumed the trial production and sale of iron concentrates during the Reporting Period (Nil for the Corresponding Prior Period).

Administrative Expenses

Administrative expenses decreased by 36.6% to approximately RMB16.8 million during the Reporting Period, as compared to approximately RMB26.5 million for the Corresponding Prior Period. Since the second half of 2014, the Group has put its effort to adopt various cost control measures and go through an organisational restructuring, which helped to mitigate the administrative expenses.

Finance Income/(Expense)

The Group recorded finance income of approximately RMB6.7 million during the Reporting Period, as compared to finance expenses of approximately RMB1.1 million for the Corresponding Prior Period. The main reasons for such change were the reduction in exchange loss derived mainly from the HKD denominated bank borrowings as a result of the stabilised foreign exchange movements and the increase in interest income from time deposits.

Management Discussion and Analysis

Financial Review *(Continued)*

Income Tax Expense

The income tax expense represented the current period provision for the PRC corporate income tax (“CIT”) calculated at the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the both periods.

No income tax was recognised during the Reporting Period. During the Corresponding Prior Period, the effective tax rate was -1.5%, which was mainly attributable to the non-recognition of tax losses of the Group as deferred tax assets. It is considered that it is premature to recognise the deferred tax assets as at 30 June 2015. Further details about the Group’s income tax are set out in note 6 to the interim financial information.

Property, Plant and Equipment

As at 30 June 2015, the Group’s property, plant and equipment had a net book value of approximately RMB711.2 million (approximately RMB713.8 million as at 31 December 2014), representing 51.2% (50.2% as at 31 December 2014) of total assets of the Group. The increase was mainly attributable to the construction of the second crushed stone production facility, acquisition of certain mining and processing equipment for gabbro-dabase production and the payments on additions to other facilities at corporate office during the Reporting Period.

Inventories

As at 30 June 2015, the Group’s inventories amounted to approximately RMB12.8 million (approximately RMB8.0 million as at 31 December 2014). The 60% increase was a result of the production of crushed stones and the preparation for the production of ballast at the Yanjiazhuang Mine during the Reporting Period.

Liquidity and Financial Resources

As at 30 June 2015, the Group’s cash and cash equivalents amounted to approximately RMB564.8 million (approximately RMB600.7 million as at 31 December 2014), of which 99.2% denominated in RMB and 0.8% denominated in HKD (99.5% denominated in RMB and 0.5% denominated in HKD as at 31 December 2014), representing 40.6% (42.2% as at 31 December 2014) of total assets of the Group. In addition, the Group’s restricted bank balances were approximately RMB1.2 million as at 30 June 2015 and 31 December 2014, 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 RMB273.0 million (approximately RMB285.1 million as at 31 December 2014). The liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.7 as at 30 June 2015 and 31 December 2014.

During the Reporting Period, the Group paid approximately RMB4.3 million (approximately RMB13.6 million for the Corresponding Prior Period) for the settlement of the Group’s addition of items of property, plant and equipment and intangible assets.



Management Discussion and Analysis

Capital Structure and Gearing Ratio

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

As at 30 June 2015, the total equity of the Group amounted to approximately RMB1,012.5 million (approximately RMB1,022.6 million as at 31 December 2014).

As the Group had net cash position of approximately RMB273.0 million and RMB285.1 million as at 30 June 2015 and 31 December 2014, respectively, it is therefore not considered to have any gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 30 June 2015, the Group's HKD denominated bank borrowings amounted to HK\$370.0 million (equivalent to approximately RMB291.8 million) (As at 31 December 2014: HK\$400.0 million, equivalent to approximately RMB315.6 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 30 June 2015, 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's 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 30 June 2015, certain cash and bank balances were denominated in HKD and USD and the bank borrowings were denominated in HKD. Attributed to the stabilised foreign currency movements of HKD against RMB during the Reporting Period, the Group recognised a reduced exchange loss of approximately RMB0.4 million from the HKD denominated bank borrowings (approximately RMB5.0 million for the Corresponding Prior Period). Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB and thereby increasing the Group's exposure to foreign currency fluctuation. The Group will continue to monitor its foreign currency risk by closely observing the movement in the foreign currency exchange rates, and the recent movement in the exchange rate of RMB is not expected to pose significant risk on the liquidity and financial position of the Group.

Management Discussion and Analysis

Segment Information

For management purposes, the Group is organised into business units based on products and services and has two reportable operating segments, the “Iron Concentrates” segment and the “Gabbro-Diabase” segment. During the Reporting Period and the Corresponding Prior Period, the Group had no revenue. The loss for the Reporting Period was mainly attributable to “Gabbro-Diabase” operating segment and unallocated expenses while the loss for the Corresponding Prior Period was mainly attributable to unallocated expenses and net finance expenses. Further details of the Group’s segment results are set out in note 3 to the interim financial information.

Furthermore, as the Group had no revenue and the majority of the Group’s non-current assets are located in the PRC in both periods, no geographical information is presented.

Capital Commitments

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	61,725	61,210
Authorised, but not contracted for:		
– Property, plant and equipment	381,416	384,423
– Resource fees	500,000	500,000
	881,416	884,423
Total	943,141	945,633

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 30 June 2015. 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. In 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing was held in this respect in April 2015. Both parties have different perspective on the appraised results, and the court is facilitating the negotiation between the parties in respect of the appraised results. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. During the Reporting Period, such counterclaim is pending the decision of the relevant court to assess the ratification costs of the completed construction work.

Management Discussion and Analysis



Contingent Liabilities *(Continued)*

(a) *(Continued)*

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) In 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. During the Reporting Period, the Group and the plaintiff reached a settlement agreement and the plaintiff applied to the court to withdraw the prosecution, which has been agreed by the court.

Event after the Reporting Period

Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB, which resulted in an adverse movement in the exchange rate of HKD against RMB. Based on the information available, the Group would recognise further exchange loss from the HKD denominated bank borrowings, which approximate to RMB15.0 million, with a corresponding increase in the Group's interest-bearing bank borrowings.

The exchange loss may have a substantial negative impact to the results of the Group for the year ending 31 December 2015.

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 in order to achieve sustainable development in the long run.

Employees and Remuneration Policies

The Group	30 June 2015	
Number of employees	174	
Type	Number of employees	Approximate percentage to the total number of employees
Production, sale and operation	89	51
Management and administrative support	85	49
Total	174	100

Management Discussion and Analysis

Employees and Remuneration Policies *(Continued)*

As at 30 June 2015, the Group had a total of 174 (as at 31 December 2014: 200) 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 the Reporting Period, the Group further adjusted its organisational structure for the purpose of making 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 reallocate its human resources and the number of full-time employees decreased during the Reporting Period.

The Group formulates its human resources allocation and executes recruitment plans based on its development strategies. The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions. The remuneration policy of the Group is subject to periodic review, and year-end bonuses and share options are available to reward employees in accordance with their individual performances and industry practice. Appropriate training programmes are also offered to ensure continuous staff training and development.

Use of Net Proceeds

The net proceeds raised from the Listing of the Company amounted to approximately RMB1,052 million. As at 30 June 2015, the application of the net proceeds raised from the Listing of the Company is set out as below.

	Net proceeds from the Listing		
	Revised use of proceeds* RMB'million	Utilised RMB'million	Unutilised RMB'million
Three-phase expansion plan of the Yanjiazhuang Mine	368	154	214
Payment of resource fees	95	–	95
Development of the gabbro-dabase business	173	87	86
Repayment of shareholders' loans	105	105	–
Working capital	32	32	–
General working capital, acquisitions and financial management	279	127	152
	1,052	505	547

* In March 2014, the Board approved the change in application of the unutilised net proceeds raised from the Listing of the Company.

Management Discussion and Analysis



Outlook and Future Plans

Notwithstanding the local issues and uncertainties surrounding the international and domestic economic environment and their challenges and obstacles to the Group's business development, the management remains positive and keeps exploring different possibilities at the Yanjiazhuang Mine. The Group is progressively increasing its investment in the gabbro-diabase business with a view to bringing this new business segment to a commercial scale. In respect of crushed stones and gabbro-diabase products, the management will actively develop new products and consider expanding into other markets in order to acquire more experience in production and sale and enlarge its customer base so as to expand the scale of the gabbro-diabase business in a steady and economically viable manner.

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. However, the Group noticed that the weak iron concentrate prices and the impacts of various government policies have brought uncertainties to the iron concentrate business. The Group looks forward to resuming the operation in a timely and smooth manner and under an economically viable scale after resolving the local issues and obtaining the necessary consents from the Safety Authority and other production related consents.

Regarding the permits, the tightening national requirements towards heavily polluting industries, such as mining, in recent years have posed greater difficulties to the Yanjiazhuang Mine in applying for and renewing its permits. Moreover, the government is exerting increased control over the issuance of permits. This, together with the adjustment of policies, has caused delays in the approval and issuance of certain permits, including production safety permits, in relation to the Group's operation at the Yanjiazhuang Mine. 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 arrange for the application and renewal of relevant permits at appropriate times and allow the Group to have a better understanding of their impacts on its business development.

Apart from the above businesses, the Group will cautiously explore mergers and acquisitions opportunities in order to achieve sustainable development.

Report On Review of Interim Financial Information



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

INTRODUCTION

We have reviewed the accompanying interim financial information set out on pages 17 to 34, which comprise the condensed consolidated statement of financial position of Newton Resources Ltd (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2015 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standards 34 “Interim Financial Reporting” (“IAS 34”).

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

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants
Hong Kong

26 August 2015

Condensed Consolidated Statement of Comprehensive Income

Six-month period ended 30 June 2015

	Notes	Six-month period ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	–	–
Cost of sales		–	–
Gross Profit		–	–
Administrative expenses		(16,824)	(26,527)
Finance income/(expenses), net	5	6,686	(1,068)
Loss from operations		(10,138)	(27,595)
Equity-settled share option expense	17	–	(203)
Loss before tax	4	(10,138)	(27,798)
Income tax expense	6	–	(422)
Loss for the period		(10,138)	(28,220)
Total comprehensive loss for the period		(10,138)	(28,220)
Attributable to:			
Owners of the Company		(10,013)	(28,073)
Non-controlling interests		(125)	(147)
		(10,138)	(28,220)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	8	(0.25)	(0.70)

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

Condensed Consolidated Statement of Financial Position

30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	711,177	713,835
Intangible assets		49,965	49,999
Prepaid land lease payments		3,357	3,408
		764,499	767,242
Current assets			
Inventories	10	12,839	7,969
Prepayments, deposits and other receivables	11	46,373	45,238
Cash and bank balances	12	566,019	601,855
		625,231	655,062
Current liabilities			
Trade payables	13	693	361
Other payables and accruals	14	62,110	61,100
Interest-bearing bank borrowings	15	291,782	315,560
Income tax payable		7,634	7,634
		362,219	384,655
Net current assets		263,012	270,407
Total assets less current liabilities		1,027,511	1,037,649
Non-current liabilities			
Long-term payables		15,000	15,000
Net assets		1,012,511	1,022,649
Equity			
Equity attributable to owners of the Company			
Share capital	16	331,960	331,960
Reserves		678,309	688,322
		1,010,269	1,020,282
Non-controlling interests		2,242	2,367
Total equity		1,012,511	1,022,649

Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2015

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserves	Share option reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)								
At 1 January 2015	331,960	719,871	80,864	9,220	(121,633)	1,020,282	2,367	1,022,649
Loss for the period	-	-	-	-	(10,013)	(10,013)	(125)	(10,138)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(10,013)	(10,013)	(125)	(10,138)
At 30 June 2015	331,960	719,871*	80,864*	9,220*	(131,646)*	1,010,269	2,242	1,012,511
At 1 January 2014	331,960	719,871	80,864	9,014	(75,517)	1,066,192	1,453	1,067,645
Loss for the period	-	-	-	-	(28,073)	(28,073)	(147)	(28,220)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	(28,073)	(28,073)	(147)	(28,220)
Capital contribution from non-controlling interests	-	-	-	-	-	-	1,240	1,240
Equity-settled share option arrangements	-	-	-	203	-	203	-	203
At 30 June 2014	331,960	719,871	80,864	9,217	(103,590)	1,038,322	2,546	1,040,868

* These reserve accounts comprise the consolidated reserves of RMB678,309,000 in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2015

	Notes	Six-month period ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from operating activities			
Loss before tax		(10,138)	(27,798)
Adjustments for:			
Depreciation of items of property, plant and equipment	4	5,150	4,891
Amortisation of prepaid land lease payments	4	51	51
Amortisation of intangible assets	4	34	–
Write-down of inventories to net realisable value	4	108	–
Finance (income)/expenses, net	5	(6,686)	1,068
Equity-settled share option expense	17	–	203
Cash flows before working capital changes		(11,481)	(21,585)
(Increase)/decrease in inventories		(4,978)	394
Decrease/(increase) in prepayments, deposits and other receivables		166	(726)
Increase in trade payables		332	333
Increase/(decrease) in other payables and accruals		687	(153)
Cash used in operations		(15,274)	(21,737)
Interest received		11,832	8,336
Bank charges paid		(171)	(164)
Net cash flows used in operating activities		(3,613)	(13,565)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		(4,293)	(13,603)
Net cash flows used in investing activities		(4,293)	(13,603)
Cash flows from financing activities			
Repayment of bank borrowings		(23,658)	(68,805)
Interest paid		(3,750)	(4,416)
Capital contribution from non-controlling interests		–	1,240
Net cash flows used in financing activities		(27,408)	(71,981)
Net decrease in cash and cash equivalents		(35,314)	(99,149)
Cash and cash equivalents at beginning of period		600,665	729,700
Effect of foreign exchange rate changes, net		(522)	25
Cash and cash equivalents at end of period		564,829	630,576
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	12	566,019	631,764
Restricted bank deposits	12	(1,190)	(1,188)
Cash and cash equivalents at end of period		564,829	630,576

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

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 period, 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. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The unaudited condensed consolidated interim financial information of the Company and its subsidiaries (together, the “Group”) for the six-month period ended 30 June 2015 (the “Interim Financial Information”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2014.

2.2 Significant Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014, except for the adoption of the following amendment and improvements to existing International Financial Reporting Standards (“IFRSs”), that are relevant and first effective for the current accounting period of the Company, as summarised below:

Amendments to IAS 19 Annual Improvements 2010-2012 Cycle	Defined Benefit Plans: Employee Contributions Amendments to a number of IFRSs
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

2. Basis of Preparation and Significant Accounting Policies *(Continued)*

2.2 Significant Accounting Policies *(Continued)*

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

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

3. Revenue and 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.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

3. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

The following tables present revenue and results information for the Group's operating segments for the six-month periods ended 30 June 2015 and 2014, respectively:

	Iron Concentrates RMB'000	Gabbro- Diabase RMB'000	Total RMB'000
Six-month period ended 30 June 2015 (Unaudited)			
Segment Revenue:			
Sales to external customers	–	–	–
Segment Results			
	(4,208)	(1,655)	(5,863)
Reconciliation:			
Interest income			11,737
Corporate and other unallocated expenses			(11,534)
Interest expenses			(4,478)
Loss before tax			(10,138)
Other segment information:			
Write-down of inventories to net realisable value	–	108	108
Depreciation and amortisation	4,208	758	4,966
Corporate and other unallocated depreciation			269
			5,235
Capital expenditure			
Corporate and other unallocated capital expenditure	–	2,364	2,364
			128
			2,492

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

3. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrates RMB'000	Gabbro- Diabase RMB'000	Total RMB'000
Six-month period ended 30 June 2014 (Unaudited)			
Segment Revenue:			
Sales to external customers	–	–	–
Segment Results			
	(5,863)	(499)	(6,362)
Reconciliation:			
Interest income			8,885
Corporate and other unallocated expenses			(25,525)
Interest expenses			(4,796)
Loss before tax			(27,798)
Other segment information:			
Depreciation and amortisation	4,136	391	4,527
Corporate and other unallocated depreciation			415
			4,942
Capital expenditure	2,153	6,984	9,137

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

3. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2015 and 31 December 2014, respectively:

	Iron Concentrates RMB'000	Gabbro- Diabase RMB'000	Total RMB'000
30 June 2015 (Unaudited)			
Segment assets	681,143	114,317	795,460
Corporate and other unallocated assets			594,270
Total assets			1,389,730
Segment liabilities	39,413	30,069	69,482
Corporate and other unallocated liabilities			307,737
Total liabilities			377,219
31 December 2014 (Audited)			
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

Geographical segment

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

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

4. Loss before Tax

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

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Depreciation of items of property, plant and equipment	5,150	4,891
Amortisation of prepaid land lease payments	51	51
Amortisation of intangible assets	34	–
Write-down of inventories to net realisable value	108	–

5. Finance Income/(Expense)

An analysis of the Group's net finance income/(expense) is as follows:

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Interest income	11,737	8,885
Interest on bank borrowings	(3,823)	(3,923)
Other borrowing costs	(655)	(873)
Net foreign exchange losses	(402)	(4,993)
Bank charges	(171)	(164)
Finance income/(expense), net	6,686	(1,068)

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

6. Income Tax

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month periods ended 30 June 2015 and 2014.

No provision for Hong Kong profits tax had been made as the Group had no estimated assessable profits arising in Hong Kong during the six-month periods ended 30 June 2015 and 2014.

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax – Mainland China Charge for the period	–	422

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB90,616,000 (six-month period ended 30 June 2014: RMB62,324,000) 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.

7. Dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: nil).

8. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculation of basic loss per share amounts is based on the loss for the period attributable to owners of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the periods ended 30 June 2015 and 2014.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

8. Loss Per Share Attributable to Ordinary Equity Holders of the Company *(Continued)*

The calculation of basic and diluted loss per share is based on:

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	(10,013)	(28,073)
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	4,000,000	4,000,000

The Pre-IPO Share Options of the Company had an anti-dilutive effect on the basic loss per share amount for the six-month periods ended 30 June 2015 and 2014 and were ignored in the calculation of diluted loss per share.

9. Property, Plant and Equipment

During the six-month period ended 30 June 2015, the Group's addition of items of property, plant and equipment with an aggregate cost amounted to approximately RMB2,492,000 (six-month period ended 30 June 2014: RMB9,137,000), mainly representing the Group's addition of machineries and the increase in the construction in progress. No property, plant and equipment was disposed of during the six-month periods ended 30 June 2015 and 2014.

10. Inventories

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Raw materials and spare parts	3,805	3,979
Semi-finished products	3,172	–
Finished products	6,777	4,797
	13,754	8,776
Inventory provision	(915)	(807)
	12,839	7,969

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

11. Prepayments, Deposits and Other Receivables

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Advances to suppliers	26,020	24,624
Other tax receivables	12,944	12,308
Deposits	2,938	3,879
Bank interest receivables	2,037	2,132
Prepaid land lease payments, current portion	101	101
Others	2,333	2,194
	46,373	45,238

12. Cash and Bank Balances

The Group's cash and bank balances as at 30 June 2015 and 31 December 2014 are mainly denominated in Renminbi.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Cash and bank balances	16,798	10,855
Time deposits	549,221	591,000
	566,019	601,855
Less: Restricted bank deposits (note 22)	(1,190)	(1,190)
Cash and cash equivalents	564,829	600,665

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

13. Trade Payables

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 6 months	476	144
6 months to 1 year	–	45
Over 1 year	217	172
	693	361

14. Other Payables and Accruals

Included in the Group's other payables and accruals are payables to suppliers or contractors for the Group's addition of items of property, plant and equipment of RMB33,059,000 (31 December 2014: RMB33,464,000).

15. Interest-Bearing Bank Borrowings

	30 June 2015		31 December 2014	
	Effective interest rate (%)	RMB'000 (Unaudited)	Effective interest rate (%)	RMB'000 (Audited)
Current				
Bank borrowings unsecured and repayable on demand	2.12-2.95	291,782	2.12-3.01	315,560

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.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

16. Share Capital

Shares

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	1,000,000	1,000,000
	RMB'000 (Unaudited)	RMB'000 (Audited)
Issued and fully paid: 4,000,000,000 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 17 to the Interim Financial Information.

17. Share Option Schemes

(a) Pre-IPO share option scheme

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

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

	Number of options '000 (Unaudited)
At 1 January 2015	35,000
Forfeited during the period	(9,300)
At 30 June 2015	25,700

The Group did not recognise any share option expense during the six-month period ended 30 June 2015 (six-month period ended 30 June 2014: RMB203,000).

As at 30 June 2015, the Company had 25,700,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.6% of the Company's issued shares. The Pre-IPO Share Option Scheme were expired on 6 July 2015.

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

17. Share Option Schemes *(Continued)*

(b) 2010 Share option scheme

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

18. 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 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB’000 (Unaudited)	31 December 2014 RMB’000 (Audited)
Within one year	475	273

19. Commitments

In addition to the operating lease commitments detailed in note 18 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2015 RMB’000 (Unaudited)	31 December 2014 RMB’000 (Audited)
Contracted, but not provided for:		
– Property, plant and equipment	61,725	61,210
Authorised, but not contracted for:		
– Property, plant and equipment	381,416	384,423
– Resource fees	500,000	500,000
	881,416	884,423
Total	943,141	945,633

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

20. Related Party Transactions

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

(a) Related party transactions

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Leasing of office premises from a subsidiary of a substantial shareholder of the Company		
New World Tower Company Limited	383	846
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company		
CiF Solutions Ltd	89	92

(b) Compensation of key management personnel

	Six-month period ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Fees	545	520
Salaries, bonuses, allowances and benefits in kind	1,408	1,304
Pension scheme contributions	13	–
Equity-settled share option expense	–	123
	1,966	1,947

Notes to Condensed Consolidated Interim Financial Information

Six-month period ended 30 June 2015

21. Fair Value Measurement

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

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

22. 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 30 June 2015. 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. In 2014, the Surveying Company has submitted the assessment to the local court, and a court hearing was held in this respect in April 2015. Both parties have different perspective on the appraised results, and the court is facilitating the negotiation between the parties in respect of the appraised results. Such subsidiary has also filed a counterclaim against the plaintiff regarding the quality issues of the completed construction work. During the Reporting Period, such counterclaim is 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) In 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. During the Reporting Period, the Group and the plaintiff reached a settlement agreement and the plaintiff applied to the court to withdraw the prosecution, which has been agreed by the court.

23. Event after the Reporting Period

Subsequent to 30 June 2015, there has been increase in volatility of the exchange rate of RMB, which resulted in an adverse movement in the exchange rate of HKD against RMB. Based on the information available, the Group would recognise further exchange loss from the HKD denominated bank borrowings, which approximate to RMB15.0 million, with a corresponding increase in the Group's interest-bearing bank borrowings.

24. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the board of directors on 26 August 2015.



Other Information

Corporate Governance Practices

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices of the CG Code as set out in Appendix 14 of the Listing Rules throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the CG Code during the Reporting Period, except for the Code Provisions A.6.7 and E.1.2 of the CG Code as noted hereunder.

Under the Code Provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend AGMs and develop a balanced understanding of the views of shareholders. Due to other business engagements, two non-executive Directors were unable to attend the AGM held on 21 May 2015 (the "2015 AGM").

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the AGMs. Due to other business engagements, the chairman of the Board, was unable to attend the 2015 AGM. A non-executive Director, who acted as the chairman of the 2015 AGM, together with other members of the Board who attended the meeting, were of sufficient calibre for answering questions at the 2015 AGM.

Following the retirement of Mr. Wu Wai Leung, Danny as an independent non-executive Director and ceased to be a member of the Audit Committee at the conclusion of the 2015 AGM, the Board comprised a total of two executive Directors, four non-executive Directors and two independent non-executive Directors, which fell below the minimum number of independent non-executive directors required under Rules 3.10(1) and 3.10A of the Listing Rules and fell below the minimum number of members of the Audit Committee required under its terms of reference and Rule 3.21 of the Listing Rules. Upon the appointment of Mr. Shin Yick, Fabian as an independent non-executive Director with effect from 14 August 2015, the Company has complied with Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

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

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

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

Model Code for Securities Transactions by Directors

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

Other Information

Changes in Director's Information

The changes in the Director's information since the disclosure made in the annual report 2014 of the Company are set out below:

Name of Director(s)	Details of Change(s)
Dr. Cheng Kar Shun	<ul style="list-style-type: none">Resigned as a non-executive director of Lifestyle International Holdings Limited (stock code: 1212), which is a listed public company in Hong Kong, on 4 May 2015.
Mr. Wu Wai Leung, Danny	<ul style="list-style-type: none">Appointed as an executive director and chief executive officer of Greenheart Group Limited (stock code: 94), which is a listed public company in Hong Kong, on 14 May 2015;Retired as an independent non-executive Director and ceased to be a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee at the conclusion of 2015 AGM; andAppointed as a non-executive Director after the conclusion of 2015 AGM.
Mr. Lee Kwan Hung	<ul style="list-style-type: none">Appointed as an independent non-executive director of Red Star Macalline Group Corporation Ltd. (stock code: 1528), the shares of which have been listed on the Stock Exchange since 26 June 2015, with effect from 17 February 2015.
Mr. Li Changfa	<ul style="list-style-type: none">Appointed as the authorized representative of the Company on 1 April 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.

Audit Committee

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

Other Information



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

As at 30 June 2015, the interests and short positions of Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (the "Associated Corporations"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long Positions in Underlying Shares – Share Options

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

Name	Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.15	Exercise price per share HK\$
			Balance as at 01.01.15	Exercised during the period ⁽²⁾	Adjusted during the period	Lapsed during the period		
Executive Director								
Jiao Ying ⁽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 ⁽⁵⁾	28 January 2011	(1)	800,000	–	–	(800,000)	–	1.75
			6,400,000	–	–	(4,800,000)	1,600,000	

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 the Reporting Period.
- (3) The cash consideration paid by each Director for grant of the share options is HK\$1.00.
- (4) Mr. Jiao Ying resigned as an executive Director on 1 April 2015.
- (5) Mr. Wu Wai Leung, Danny retired as an independent non-executive Director at the conclusion of 2015 AGM and was appointed as a non-executive Director after the conclusion of 2015 AGM.

Save as disclosed above, as at 30 June 2015, neither the Directors nor the chief executives, nor any of their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its Associated Corporations which had been recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Other Information

Share Option Schemes

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

(i) Share Option Movement of Directors

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

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

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

Date of grant	Exercisable period (Note)	Number of share options				Balance as at 30.06.15	Exercise price per share HK\$
		Balance as at 01.01.15	Exercised during the period ⁽²⁾	Adjusted during the period	Lapsed during the period		
28 January 2011	(1)	28,600,000	–	–	(4,500,000)	24,100,000	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 grantee during the Reporting Period.
- (3) The cash consideration paid by each grantee for grant of the share options is HK\$1.00.

Further details of the Company’s share option schemes are set out in note 17 to the condensed consolidated interim financial information.

Other Information



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

Long Position in Shares

As at 30 June 2015, 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	1,420,000,000	35.50%
Cheng Yu Tung Family (Holdings II) Limited ⁽²⁾	Interest of controlled corporation	1,420,000,000	35.50%
Chow Tai Fook Capital Limited ("CTF Capital") ⁽³⁾	Interest of controlled corporation	1,420,000,000	35.50%
Chow Tai Fook (Holding) Limited ("CTF Holding") ⁽⁴⁾	Interest of controlled corporation	1,420,000,000	35.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises") ⁽⁵⁾	Interest of controlled corporation	1,420,000,000	35.50%
NWD ⁽⁶⁾	Interest of controlled corporation	1,420,000,000	35.50%
NWS ⁽⁷⁾	Interest of controlled corporation	1,420,000,000	35.50%
NWS Resources Limited ("NWS Resources") ⁽⁷⁾	Interest of controlled corporation	1,420,000,000	35.50%
NWS Mining Limited ("NWS Mining") ⁽⁷⁾	Interest of controlled corporation	1,420,000,000	35.50%
Modern Global Holdings Limited ("Modern Global") ⁽⁷⁾	Interest of controlled corporation	1,420,000,000	35.50%
Perfect Move Limited ("Perfect Move") ⁽⁷⁾	Interest of controlled corporation	1,420,000,000	35.50%
Faithful Boom Investments Limited ("Faithful Boom") ⁽⁷⁾	Beneficial interest	1,420,000,000	35.50%
Shougang Corporation ⁽⁸⁾	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Hong Kong ⁽⁸⁾	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune") ⁽⁸⁾	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All") ⁽⁸⁾	Beneficial interest	728,570,000	18.21%
Mak Siu Hang, Viola ⁽⁹⁾	Interest of controlled corporation	480,000,000	12.00%
VMS Holdings Limited ("VMS Holding") ⁽⁹⁾	Interest of controlled corporation	480,000,000	12.00%
VMS Investment Group Limited ("VMS") ⁽⁹⁾	Interest of controlled corporation	480,000,000	12.00%
Fast Fortune Holdings Limited ("Fast Fortune") ⁽⁹⁾	Beneficial interest	480,000,000	12.00%

Other Information

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

(Continued)

Long Position in Shares (Continued)

Notes:

- (1) Cheng Yu Tung Family (Holdings) Limited holds approximately 48.98% direct interest in CTF Capital and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.
- (2) Cheng Yu Tung Family (Holdings II) Limited holds approximately 46.65% direct interest in CTF Capital and is accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Capital.
- (3) CTF Capital holds approximately 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 a 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 61.32% 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) Shougang Corporation holds a 100% direct interest in Shougang Hong Kong. Lord Fortune and Plus All are wholly-owned subsidiaries of Shougang Hong Kong. Therefore, Shougang Corporation and Shougang Hong Kong are both 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 30 June 2015, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

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

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



Glossary of Terms

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

“AGM”	annual general meeting
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 of the Listing Rules
“Company”	Newton Resources Ltd
“Corresponding Prior Period”	the six-month period ended 30 June 2014
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing”	the listing of the Shares on the main board of the Stock Exchange on 4 July 2011
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“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
“Reporting Period”	the six-month period ended 30 June 2015
“RMB”	Renminbi, the lawful currency of the PRC
“Remuneration Committee”	the remuneration committee of the Company
“Safety Authority”	the relevant government authority for the granting of production safety permit for the production of gabbro-diabase products
“SFO”	Securities and Futures Ordinance
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Shougang Hong Kong”	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“tonne(s)”	equal to 1,000 kilograms
“tpa”	tonne(s) per annum
“USD”	the United States dollar, the lawful currency of the United States of America
“Yanjiazhuang Mine”	Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閻家莊礦), an iron ore 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
Mr. Wu Wai Leung, Danny

Executive Directors

Mr. Li Changfa
Mr. Luk Yue Kan

Independent Non-executive Directors

Mr. Tsui King Fai
Mr. Lee Kwan Hung
Mr. Shin Yick, Fabian

Board Committees

Audit Committee

Mr. Tsui King Fai (*Chairman*)
Mr. Lee Kwan Hung
Mr. Shin Yick, Fabian

Remuneration Committee

Mr. Lee Kwan Hung (*Chairman*)
Mr. Tsui King Fai
Mr. Shin Yick, Fabian
Mr. Lam Wai Hon, Patrick

Nomination Committee

Mr. Lee Kwan Hung (*Chairman*)
Mr. Tsui King Fai
Mr. Shin Yick, Fabian
Mr. Lam Wai Hon, Patrick

Company Secretary

Mr. Luk Yue Kan

Registered Office

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Cayman Islands

Headquarter and Principal Place of Business in the PRC

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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
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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