新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Annual Report 2016

Contents

Chairman's Statement

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Dear Shareholders,

The Group has been pursuing various business opportunities in 2016.

2016 was the first year of the 13th Five-Year Plan of the PRC, witnessing the establishment of five development concepts of "Innovation, Coordination, Green, Opening-up and Sharing". The PRC's long term strategy to facilitate all-round economic and social development resulted in rapid growth of industry and local community, and had driven the development of infrastructure including high-speed rails and highways in Mainland China, facilitating the increase in the demand for crushed stone and railway ballast. Amid the steady development of China's economy and indirectly due to the implementation of the industrial reform and overcapacity cutting policy in heavy polluted industries, the import price of iron ore rose during 2016, bringing opportunities for the Group to expand into trading business.

During the Reporting Period, the Group recorded revenue of approximately RMB84.6 million, representing a significant increase as compared to the Corresponding Prior Period, mainly attributable to the Group's iron ore trading business.

Unfortunately, a sudden rainstorm havocked the facilities and roads in Yanjiazhuang area, forcing the Yanjiazhuang Mine to suspend its production once again, further hindering the Group's business development in the area. This, coupled with the unresolved land expropriation issue, has led to further demands from local villagers, and has resulted in the continued suspension of the trial production of iron concentrates at the Yanjiazhuang Mine during the Reporting Period and the postponement of the Environmental Upgrade. The management of Xingye is trying to address the new demands of local villagers and actively negotiating with the local village representatives and the local authorities to seek a complete solution to the matters. The Board will pay close attention to the negotiation and the latest development, and adopt appropriate measures so as to safeguard the interests of the Group and its Shareholders.

It is encouraging that the Group has diversified its income source by developing into an iron mining downstream business during the year in respect of iron ore trading business. The Group also caught the opportunity in the car-park business. Such diversification provides the Group with an opportunity to strengthen its performance in the long run.

Looking into the future, the Group will pay close attention to the business development at the Yanjiazhuang Mine and the requirements of relevant laws and regulations. The mining permit of the Yanjiazhuang Mine will expire in July 2017. Complications and difficulties are expected to be encountered during the renewal process. The Group will monitor the progress so as the formulate a strategy in respect of the Yanjiazhuang Mine. I hope the management and all our staff members can sustain the momentum and expand the iron ore trading business and car-park business to an economically viable scale, bringing benefits to the Shareholders in the long run. The Group will prudently explore the mergers and acquisitions opportunities and seek collaboration and market possibilities, enabling further diversification of the Group's business and revenue so as to reach the Group's goal for sustainable development.

I would like to take this chance to extend my heartfelt gratitude to my fellow Board members, the management team and all the staff members for their dedication and commitment made for the Group. On behalf of the Board, I would like to express my sincere thanks to the Shareholders, customers, suppliers, banks and business partners for their support.

Dr. Cheng Kar Shun
Chairman

Hong Kong, 29 March 2017

Management Discussion and Analysis

Management Discussion and Analysis

Market Overview

In 2016, the PRC's gross domestic product grew by approximately 6.7% when compared to that of previous year, representing a steady economic growth as anticipated at the beginning of the year.

Following the promotion of an integrated transport network by the PRC government amid steady economic growth, the development of infrastructure projects including high-speed rails and highways in Hebei and surrounding provinces increased the demand for crushed stone and railway ballast, thus bringing potential business opportunities for the Group's gabbro-diabase and stone business.

In terms of steel sector, the PRC government's strict enforcement of laws and regulations in relation to environmental protection, reduction of energy consumption, quality control, production safety and technology and its policies on industrial reform, coupled with Mainland China (especially Hebei) was seriously affected by the haze weather, the tightening up of discharge standards on pollutants from industrial enterprises by local governments and authorities and to meet the target of cutting overcapacity ahead of schedule, have resulted in the overall decrease in the production output of iron ore in Mainland China.

Despite these, the development of the Group's trading business during the Reporting Period has benefited from the rebound in iron ore prices in 2016 boosted by the decreasing iron ore supply resulting from resolving overcapacity, the impressive trade performance of iron ore in the commodities market, and the relatively strong support for iron ore import prices in Mainland China. Steel prices had suffered from an early stagger in 2017, as a result of the weak steel market outlook due to higher-than-expected inventory built up. The Group will pay close attention to the supply and demand in the market as well as the changes in inventory level to seek opportunities and ways to expand the trading business.

Lastly, the Hong Kong government has commenced a review on parking policy to accord priority in considering and meeting the parking demand of commercial vehicles and will explore improvement measures depending on the review results. The Group believes car-park business has great potential for development and expansion, attributable to the increasing car-park charges resulting from limited supply of parking spaces in the short term. The Hong Kong government's intention to increase the number of parking spaces and the ongoing policy review will create an environment suitable for business development in the long term, stabilising the market while reducing vicious competition.

Business Review

The Group's business remained staggering in 2016. During the Reporting Period, although the Group was pursuing its business promotion for highway crushed stone and railway ballast progressively, the production at Yanjiazhuang Mine were suspended again due to the unforeseen requirement for an environmental protection upgrade and the floods and damages caused by heavy rains in the region, which further hampered our business development in the area. Conformed to the Group's development strategy to continuously explore and expand its business portfolio, the management proactively considered diversifying the Group's business and commenced the trading business and car-park business during the year, which could form a basis for the Group's business expansion in 2017.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business

The demand for highway crushed stone and railway ballast was on the increase with the infrastructure development in Mainland China, such as high-speed rails and highway. The Group also hopes to generate continuous cash flow from the production and sales of gabbro-diabase, highway crushed stone and railway ballast products.

In line with the general trend in the policy for environmental protection and emission reduction in Mainland China and with the purpose of constructing an environmental friendly mine and enhancing the utilisation rate of ore resources, the Group installed environmental protection structures at its production facilities for highway crushed stone and railway ballast and other sites for the production of gabbro-diabase, so as to mitigate any adverse impact on surrounding area during the production process. The Group also places great emphasis on production safety at the production facilities for highway crushed stone and railway ballast, making every effort to provide staff with a safe working environment.

However, the environmental protection authority (the "EPA") has been conducting the evaluation of environmental risk associated with the closure, suspension and relocation of the relevant enterprises as part of the PRC government's efforts to attain the overall objective of carrying out green growth, development and improving the quality of the ecosystem and environmental quality under the 13th Five-Year Plan. In the first half of 2016, Xingye received a notice from the local EPA that it was required to upgrade the environmental protection measures of the production facilities at the Yanjiazhuang Mine for highway crushed stone and railway ballast (the "Environmental Upgrade"). The management of Xingye has then been developing a preliminary plan for the Environmental Upgrade. However, inclement weather took place in Hebei Province, the PRC in late July 2016, causing floods and landslides in the region as well as life and economic losses and business disruption (the "Disaster"). Certain roads in Yanjiazhuang area and other safety facilities were damaged by the Disaster so that Xingye was not able to carry out its sales and production as usual and causing the originally planned Environmental Upgrade to be postponed. Attributed to the Disaster and in view of these damages, the management of Xingye had been facing new demands from the local villagers, which could not have been foreseen earlier or satisfied. Liaisons with local villages in this respect have been ongoing, and more time would be required to ascertain, settle or satisfy these new demands. In view of the foregoing and considering that the disputes with the local villagers arising from the land expropriation and other local issues (including the above new demands) surrounding the Yanjiazhuang Mine, the management of Xingye informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice so as to reduce losses. It is believed that this staffing arrangement will help to reduce the operating and administrative costs of Xingye.

During the Reporting Period, the Group recorded revenue of approximately RMB4.8 million (Corresponding Prior Period: approximately RMB3.4 million) from the sales of highway crushed stone and railway ballast products. The slight increase in the revenue was primarily attributable to the marketing efforts of Xingye to expand its customer network in the first half of 2016, hoping to enhance the Group's revenue.

Business Review *(Continued)*

Gabbro-Diabase and Stone Business *(Continued)*

Apart from business operation, in respect of the mining permit for gabbro-diabase at the Yanjiazhuang Mine, the fourth and fifth instalments of the resources fee payable, which amounted to RMB14.3 million in aggregate, together with the associated cost of funds, were already due for settlement in August 2015 and 2016 respectively but remained unpaid. In view of the unfavourable economic and market outlook, the management of Xingye has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms, which include the extension of payment schedule for the remaining resources fee payable. However, the negotiations have yet to turn into any attainment.

With respect to the progress in the application for a production safety permit for the gabbro-diabase business, because of the tightening of the environmental protection policy by the PRC government, Xingye has not yet received further information regarding the issue of the permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completed the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification. The Group expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the permit, which is beyond the control of the Group. As such, the management could not ascertain the timing for Xingye to obtain the permit, which has added uncertainties to the future development of the Group's gabbro-diabase and stone business. The Group will continue to follow up the progress in the issue of the permit.

Since the production of gabbro-diabase and stone business was suspended as a result of the postponement in the Environmental Upgrade at the Yanjiazhuang Mine due to the aforesaid unfavourable factors, the Group recognised an impairment loss of approximately RMB98.0 million related to the assets of the gabbro-diabase and stone business of the Yanjiazhuang Mine for FY 2016.

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

Iron Concentrate Business

During the Reporting Period, the Group has yet to resume the trial production of the iron concentrate business at the Yanjiazhuang Mine as affected by local issues and nuisance together with the Disaster happened in July 2016. However, the Group is still endeavoring to explore the possibility of resuming the trial production at the Yanjiazhuang Mine.

Despite a slight rebound in the market prices of iron concentrate from last year during the Reporting Period, the original target to resume the trial production at the Yanjiazhuang Mine had to be further postponed due to the impact of the Disaster. As stated in the earlier discussion, the management of Xingye is handling the new demands from the local villagers associated with the Disaster, and Xingye needs more time to negotiate and discuss with the local villagers to resolve or satisfy these new demands. To cope with the resumption of the iron concentrate business, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye has preliminary proposal that, by allowing the local villagers to participate in Xingye's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the performance of the iron concentrate business (when resumed). Such proposal is however still subject to more negotiations with the local village representatives as well as the local authorities, and finalisation and also to the renewal of the mining permit of the Yanjiazhuang Mine. The management of Xingye will also continue to explore more alternatives and consider other collaboration possibilities as appropriate with the aim to bring back the operation at the Yanjiazhuang Mine.

Business Review *(Continued)*

Iron Concentrate Business *(Continued)*

Moreover, the judgements in relation to the litigation regarding construction sum payable out of the ordinary course of business of the Group become final and binding in August 2016, and the Group has adjusted for the related accounts payable and recognised the relevant costs and expenses and finance charges according to the judgements in the consolidated financial statements for FY 2016. For details of the litigation, please refer to the section headed "Legal Matters Update".

Having regard to the above postponement in the resumption of iron concentrate trial production at the Yanjiazhuang Mine due to the above unfavourable factors, and also the possible reduction in profitability of the iron concentrate business in the long run, as well as the persistent oversupply situation leading to a generally falling trend of iron concentrate prices from 2013 to 2016 and market outlook, the Group has recognised an impairment loss of approximately RMB376.3 million related to the assets of the iron concentrate business of the Yanjiazhuang Mine for FY 2016.

Regarding the permits, the mining permit in respect of the Yanjiazhuang Mine will expire in July 2017. The management of Xingye has started to look into its renewal arrangements and is planning to initiate the renewal application in the coming months. Consultation has been made with PRC legal advisers and the relevant authorities on the steps and approvals required from the relevant authorities for such renewal. However, as the mining operation at the Yanjiazhuang Mine has been suspended for a certain period of time, the management anticipates that Xingye would encounter complications and difficulties during the renewal process, and need more efforts and time to communicate with the relevant authorities and to complete the renewal process. Xingye will also endeavor to identify the alternatives that could help on the renewal of the mining permit so as to give impetus to the upcoming application progress.

With respect to the progress in the renewal of a production safety permit for iron mining, because of the tightening of the environmental protection policy by the PRC government, Xingye has not yet received further information regarding the renewal of the permit after its submission of required documents to the relevant authorities for approval, and the representatives from the Safety Authority completed the on-site inspection, assessment and acceptance procedures and confirming the Group's production safety qualification. The Group expects that it may take longer time for the government authorities to coordinate and arrange for the issuance of the permit, which is beyond the control of the Group. As such, the management could not ascertain the timing for Xingye to obtain the permit, which has added uncertainties to the future development of the Group's iron concentrate business. The Group will continue to follow up the progress in the renewal of the permit.

During the Reporting Period, the expansion plans for the Yanjiazhuang Mine were hindered by the disputes over the land expropriation. For details, please refer to the section headed "Capital Expenditure and Infrastructure Development".

Business Review *(Continued)*

Trading Business

In addition to the operations at the Yanjiazhuang Mine, the Group has been actively pursuing other business and investment opportunities so as to achieve the objectives of carrying out sustainable development and diversifying its business and revenue source, thereby enhancing its overall performance. In particular, the Group has been looking into the possibility and taking the appropriate steps to expand its iron concentrate business to the downstream trading business of iron ore and steel products.

In the second half of 2016, the Group started its trading business through a newly formed wholly-owned subsidiary. The trading business primarily involves the supply and sales of commodities (iron ore) at this stage. The Group is striving to expand the trading business to the supply and trading of other commodities, steel products and other building and construction materials so as to broaden its revenue source and expand its business portfolio.

During the Reporting Period, the Group sold approximately 137,000 tonnes of iron ore and recognised revenue of approximately RMB79.6 million. The management is targeting to expand the trading business in an orderly manner, and will consider to liaise with the leading enterprises in this industry about the possibility of business cooperation, or even the opportunity for the Group to carry out long-term business cooperation with overseas mines and factories directly so as to pave the way for the Group's long-term development.

Car-Park Business

During the Reporting Period, the Group also started to engage in the car-park business through a non-wholly owned subsidiary attempting to look for possibilities in operating and managing car-parks. The Group is soliciting the operating rights or management contracts for car-parks by way of tendering or business negotiation.

In November 2016, the Group was awarded a contract for car-park operation in a commercial building situated in a prime location on the Hong Kong Island by an independent third party for a tenor of three years. At present, the car-park business is generating rental income for the Group based on the occupancy of the relevant car-parks. During the Reporting Period, the Group recognised revenue of approximately RMB0.2 million from the car-park business.

Going forward, the Group will continue to actively look for additional opportunities in car-park operation or management projects in Hong Kong and Mainland China to make the business grow to a commercial scale and generate stable cash flow for the Group.

Business Review *(Continued)*

Other Businesses

Last but not the least, the Group set up a wholly-owned subsidiary in September 2016 to engage in the securities investment and treasury management business (the "Securities and Treasury Investment Business") and to engage in debt investment and provision of finance business (the "Debt Investment and Financing Business"). The Securities and Treasury Investment Business will involve short-term trading and short-to-mid-term investment of equity securities, derivatives and treasury products. The Debt Investment and Financing Business will involve short-to-mid-term investment of debt securities and also the provision of secured or unsecured financing to corporations. To streamline the operations and to strengthen the internal control procedures of the Group in light of the new business development as mentioned above, the Board has established an investment committee for the purposes of, among others, reviewing and providing recommendations to the Board for appropriate securities dealing, investment and treasury strategies, and considering, reviewing, evaluating, approving and/or making recommendations to the Board on different investment opportunities from time to time proposed by the management team of the Group.

Subsequently, in view of the working capital requirements for the development of other businesses (including the trading business), the Group has slowed down the implementation plan and resource allocation for the Securities and Treasury Investment Business as well as the Debt Investment and Financing Business at the present stage. Subject to, among other things, financial resources of the Group and market conditions, the Group would evaluate the feasibility of developing Securities and Treasury Investment Business as well as Debt Investment and Financing Business.

Capital Expenditure and Infrastructure Development

During the Reporting Period, the Group incurred capital expenditure amounting to approximately RMB3.5 million, mainly relating to the preliminary Environmental Upgrade surrounding the two crushed stone and railway ballast production facilities and the adjustment for construction progress upon the judgements in relation to the litigation become final and binding, details of which are set out in the section headed "Legal Matters Update".

Capital Expenditure and Infrastructure Development *(Continued)*

Gabbro-Diabase and Stone Business

During the Reporting Period, the Group had carried out the preliminary, Environmental Upgrade surrounding the two crushed stone and railway ballast production facilities.

Capital expenditure of the gabbro-diabase and stone business during the year ended 31 December 2016 and 2015 are indicated below:

	2016 RMB'million	2015 RMB'million
Construction costs	**1.8**	0.7
Equipment and others	**0.1**	6.0
Total	**1.9**	6.7

During the Reporting Period, the new contracts and commitments entered into by the Group for the gabbro-diabase and stone business including those related to infrastructure projects (road and railway), subcontracting agreements and purchases of equipment amounted to approximately RMB2.1 million (2015: approximately RMB5.8 million).

Iron Concentrate Business

Due to the land expropriation disputes and the disturbances around, the remaining construction of Phase Two and Phase Three expansion plans was suspended during the Reporting Period. Because of the judgement in relation to the litigation become final and binding, details of which are set out in the section headed "Legal Matters Update", the Group has adjusted for the construction costs of several constructions of the iron concentrate business during the year ended 31 December 2016 amounted to approximately RMB1.2 million (2015: Nil).

There were 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 during the years ended 31 December 2016 and 2015. It is expected that when disputes and disturbances regarding the iron concentrate production at the Yanjiazhuang Mine are 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.

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

Gabbro-Diabase and Stone Business

The Group's production costs for the gabbro-diabase and stone business amounted to approximately RMB4.5 million, as recognised in the cost of sales during the Reporting Period (2015: approximately RMB2.1 million).

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

	2016 **RMB'000**	2015 RMB'000
Processing costs		
– Subcontracting fees	**3,220**	1,718
Overheads		
– Depreciation and amortisation	**265**	240
– Hauling	**899**	2
– Staff costs	**49**	119
– Others	**23**	60
	1,236	421
Total production costs for the gabbro-diabase and stone business	**4,456**	2,139

Iron Concentrate Business

During the years ended 31 December 2016 and 2015, the Group's iron concentrate production had not yet resumed and therefore no production cost of iron concentrates was recorded.

Iron Ore Resource and Reserve Estimates

As at 31 December 2016, 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 31.12.2016 (Mt)	Average iron grade TFe (%)	As at 31.12.2015 (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 31.12.2016 (Mt)	Average iron grade TFe (%)	As at 31.12.2015 (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 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 these government policies, and will start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine in the coming months.

Management Discussion and Analysis

Gabbro-Diabase Resource Estimates

During the Reporting Period, the Group conducted mining activities with a very limited scale at the Yanjiazhuang Mine, which was later suspended due to the Disaster. 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 as at 31 December 2016 and 2015.

In respect of the mining permit for gabbro-diabase at the Yanjiazhuang Mine, the fourth and the fifth instalments of the gabbro-diabase resources fee payable, which amounts to RMB14.3 million in aggregate, together with the associated cost of funds, were already due for settlement in August 2015 and 2016 respectively, but remained unpaid. In view of the unfavourable economic and market outlook, the management of Xingye has been in communication with the relevant government authorities and seeking to negotiate for more favourable payment terms, which include the extension of payment schedule for the remaining resources fee payable. However, the negotiations have yet to turn into any attainment.

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 these government policies, and will start the renewal application process for the mining permit of the Group's Yanjiazhuang Mine in the coming months.

Production Safety and Environmental Protection

The Group has been placing great emphasis on production safety and environmental protection. For this reason, a department responsible for production safety and management was established at Yanjiazhuang Mine. This department has been consistently promoting safety standards and strengthening environmental protection measures so as to raise the Group's sense of social responsibility and safety awareness. During the Reporting Period, no significant safety-related incidents were recorded in the operations at Yanjiazhuang Mine.

Considering the haze weather in Mainland China, especially in Beijing and Hebei Province, it is anticipated that the PRC authorities are prompted to further tighten the relevant environmental policies towards heavily polluting industries, such as mining. To cope with the potential impact of these policies on its business, the Group will keep abreast of the latest regulatory requirements and changes, and adopt appropriate environmental and other measures from time to time to facilitate its operation and production at Yanjiazhuang Mine.

During the Reporting Period, Xingye received a notice from EPA requiring it to carry out the Environmental Upgrade at the Yanjiazhuang Mine. Although the management of Xingye has been developing a preliminary plan for the Environmental Upgrade, inclement weather and the Disaster in Hebei Province, the PRC, had caused the originally planned Environmental Upgrade to be postponed. Going forward, Xingye will further proceed with the Environmental Upgrade when the new demands at the Yanjiazhuang region are smoothed out.

Dividend

The Board does not recommend the payment of a dividend in respect of FY 2016 (2015: Nil).

Financial Review

During FY 2016, the Group recognised revenue of approximately RMB84.6 million (2015: approximately RMB3.4 million), increased by about 24 times. This large increase is mainly attributed to the commencement of the Group's trading business in 2016, which represented a new revenue source to the Group, of approximately RMB79.6 million during the Reporting Period.

The net loss for FY 2016 was approximately RMB543.5 million (2015: approximately RMB45.6 million). The loss attributable to owners of the Company amounted to approximately RMB538.1 million (2015: approximately RMB45.4 million). The basic and diluted loss per share for the Reporting Period was approximately RMB13.45 cents (2015: approximately RMB1.13 cents).

The overall increase in net loss was mainly attributed to impairment of assets at the Yanjiazhuang Mine (the "Impairment") of approximately RMB493.3 million, in aggregate, for FY 2016, which included (i) impairment of non-current assets at the Yanjiazhuang Mine of approximately RMB474.3 million (as further detailed in note 11 to the consolidated financial statements); (ii) impairment loss on and provision made for certain of the Group's prepayments and inventories of approximately RMB13.0 million and approximately RMB6.0 million respectively. Apart from the Impairment, the Group recognised an increase in administrative expenses and other expenses of approximately RMB6.6 million and RMB15.3 million respectively in FY 2016 which was partly offset by the Group's improvement in finance income by approximately RMB11.0 million, as compared to its finance expense in the Corresponding Prior Period, as further discussed below.

Revenue, Gross Profit and Gross Profit Margin

During FY 2016, the Group recognised revenue of approximately RMB84.6 million (2015: approximately RMB3.4 million), increased by about 24 times. This large increase in revenue is mainly attributed to the commencement of the Group's trading business in 2016, which represented a new revenue source to the Group, of approximately RMB79.6 million during the Reporting Period.

The Group recorded an overall gross profit of approximately RMB0.4 million (2015: approximately RMB1.3 million) and gross profit margin of 0.5% (2015: 38.2%) during the Reporting Period. The Group has adopted a relatively competitive pricing policy for its products of the trading business and the gabbro-diabase and stone business with a view to further expand the clientele, which has led to the overall decrease in gross profit during the Reporting Period.

Cost of Sales

The Group's cost of sales for the Reporting Period amounted to approximately RMB84.2 million which mainly comprised the purchases of iron concentrates from overseas suppliers for the trading business. For the Corresponding Prior Year, the Group's cost of sales of approximately RMB2.1 million arose from the production of railway ballast, crushed stone and gabbro-diabase products, and mainly comprised operating costs incurred in relation to staff, materials, power and other utilities, hauling expenses, subcontracting fees, depreciation and amortization, further details of which are set out in the section headed "Production Costs of the Yanjiazhuang Mine".

Financial Review *(Continued)*

Administrative Expenses

Administrative expenses increased by 17% to approximately RMB44.9 million during the Reporting Period, as compared to approximately RMB38.3 million for the Corresponding Prior Period. The increase was mainly due to the recognition of legal and litigation costs and expenses in relation to a litigation as referred to in the paragraph “Legal Matters Update” below of approximately RMB3.9 million (2015: Nil) upon the judgements become final and binding and the write-down of inventories to net realisable value of approximately RMB6.0 million for the fall in market selling prices and slow-moving items (2015: approximately RMB1.1 million) during the Reporting Period. This increase has been partially offset by overall reduction in staff costs as a result of the measures taken to streamline the labour force and reduce the operating outlays of Xingye.

Other Expenses

Other expenses of approximately RMB15.3 million (2015: Nil) represented the estimated possible payments that may accrue on the outstanding gabbro-diabase resources fee payable of approximately RMB8.7 million, and interest accrual on the remaining construction sum payable as a result of the litigation of approximately RMB4.8 million; and the losses and damages to the Group’s assets of approximately RMB1.4 million attributable to the Disaster happened at the Yanjiazhuang Mine in late July 2016.

Impairment Losses

Having regard to the postponement in the resumption of iron concentrate trial production and the Environment Upgrade at the Yanjiazhuang Mine and also the possible reduction in profitability of the iron concentrate business in the long run, as well as the persistent oversupply situation leading to a generally falling trend of iron concentrate prices from 2013 to 2016 and market outlook, the Group recognised impairment losses on property, plant and equipment of approximately RMB423.5 million, intangible assets of approximately RMB48.8 million and prepaid land lease payments of approximately RMB2.0 million. Details of these impairment losses are further set out in notes 11, 12 and 13 to the consolidated financial statements.

Finance Income/(Expense)

The Group recorded finance income of approximately RMB4.4 million during the Reporting Period, as compared to the finance expense of approximately RMB6.6 million in FY 2015. The improvement was driven by an increase in the Group’s HKD-denominated deposits to mitigate the currency exposure arising from the HKD-denominated bank borrowings and the repayment of certain HKD-denominated bank borrowings during the Reporting Period. As a result, the Group recorded a net foreign exchange gain of approximately RMB0.9 million in FY 2016, as compared to a net foreign exchange losses of approximately RMB18.7 million in FY 2015 as a result of the unfavourable exchange movements in RMB against other currencies in that year.

Income Tax Expense

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

No income tax was recognised for the Reporting Period as the Group made a loss in both years, and it is considered to be premature to recognise the deferred tax assets as at 31 December 2016 and 2015. Further details about the Group’s income tax are set out in note 8 to the consolidated financial statements.

Financial Review *(Continued)*

Property, Plant and Equipment and Intangible Assets

As at 31 December 2016, the Group's property, plant and equipment and intangible assets had net book values of approximately RMB270.3 million and approximately RMB0.9 million, respectively, (2015: approximately RMB710.4 million and approximately RMB49.9 million, respectively), representing 36% and 0% (2015: 53% and 4%) of total assets of the Group. The substantial decrease during the Reporting Period was mainly attributable to the respective impairment loss of approximately RMB423.5 million (2015: Nil) and approximately RMB48.8 million (2015: Nil).

Inventories

As at 31 December 2016, the Group's inventories amounted to approximately RMB9.2 million (2015: approximately RMB13.9 million). The decrease in inventories of 34% was mainly because of the write-down of inventories to their net realisable value by approximately RMB6.0 million for the fall in market selling prices and slow-moving items (2015: approximately RMB1.1 million) during the Reporting Period.

Trade and Bills Receivables

The Group's trade and bills receivables increased by about 11 times, from approximately RMB3.1 million as at 31 December 2015 to approximately RMB38.3 million as at 31 December 2016. The increase in receivables was attributed to the commencement of the Group's new trading business which received a bills receivable from a customer of approximately RMB38.3 million in late 2016 (2015: Nil).

Prepayments, Deposits and Other Receivables

As at 31 December 2016, the Group's balance of prepayments, deposits and other receivables was approximately RMB32.8 million (2015: approximately RMB40.8 million). It was decreased by 20% because the Group recognised an impairment of certain prepayments of approximately RMB13.0 million, in aggregate, that have been long outstanding with delays in delivery and thus considered to be irrecoverable.

Other Payables and Accruals and Long-term Payables

As at 31 December 2016, the Group's balance of other payables and accruals was approximately RMB87.8 million (2015: approximately RMB70.2 million). The overall increase in balance by 25% was mainly attributable to (i) the last instalment of gabbro-diabase resources fee payable of approximately RMB7.2 million becoming mature for payment and classified as a current liability at 31 December 2016, which was the Group's long-term payables as at 31 December 2015, (ii) the accrual for the estimated possible payments that may accrue on the outstanding gabbro-diabase resources fee payable of approximately RMB8.7 million, and (iii) the related interest accruals of approximately RMB4.8 million during the FY 2016 arising from the litigation upon the judgements become final and binding as further discussed in the section headed "Legal Matters Update".

In addition, in respect of the mining permit for gabbro-diabase at the Yanjiazhuang Mine, the fourth and fifth instalments of the gabbro-diabase resources fee payable, which amounts to RMB14.3 million, in aggregate, together with the associated cost of funds, were already due for settlement but remained unpaid, further details of which are set out in the section headed "Business Review: Gabbro-Diabase and Stone Business" and note 19 to the consolidated financial statements.

Liquidity and Financial Resources

As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately RMB401.4 million (2015: approximately RMB529.0 million), of which 25.7% are denominated in RMB, 58.2% are denominated in HKD and 16.1% are denominated in USD (2015: 98.8% denominated in RMB and 1.2% denominated in HKD), representing 53.1% (2015: 39.1%) of total assets of the Group. In addition, the Group's restricted bank balances were approximately RMB1.5 million as at 31 December 2016 (2015: approximately RMB1.2 million), further details of which are set out in "Legal Matters Update" section.

The Group's net cash position (calculated as cash and cash equivalents less total borrowings) was approximately RMB177.8 million (2015: approximately RMB244.1 million). The liquidity ratio (calculated as current assets divided by current liabilities) was approximately 1.5 as at 31 December 2016 (2015: approximately 1.6).

During the Reporting Period, the Group paid approximately RMB3.8 million for the settlement of the Group's addition of items of property, plant and equipment (2015: approximately RMB6.7 million).

Capital Structure and Gearing Ratio

The Group calculates its net gearing ratio by dividing its net debt (calculated as total borrowings less cash and cash equivalents) by its total equity.

As at 31 December 2016, the total equity of the Group amounted to approximately RMB433.5 million (2015: approximately RMB977.0 million).

As the Group had net cash position of approximately RMB177.8 million and RMB244.1 million as at 31 December 2016 and 2015, respectively, it is therefore not considered to have any net gearing as at these dates.

Loans, Indebtedness and Maturity Date

As at 31 December 2016, the Group's HKD-denominated bank borrowings amounted to HK$250.0 million (equivalent to approximately RMB223.6 million) (2015: HK$340.0 million (equivalent to approximately RMB284.9 million)). These 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 2016, no property, plant and equipment or leasehold land or land use rights were pledged for the Group's bank borrowings.

Funding and Treasury Policy

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity review. This approach takes into consideration 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 functional currency is RMB as its operating assets are primarily located in the PRC with transactions settled in RMB. During the Reporting Period, the Group has commenced the trading business and car-park business, with transactions settled in USD and HKD respectively, while the bank borrowings of the Group are denominated in HKD. In light of the depreciation and fluctuation of RMB against HKD and other currencies since August 2015, the Group has increased its balance of HKD-denominated deposits to mitigate the currency exposure arising from the HKD-denominated bank borrowings and the repayment of certain HKD-denominated bank borrowings during the Reporting Period. As a result, the Group recorded a net foreign exchange gain of approximately RMB0.9 million in FY 2016, as compared to a net foreign exchange loss of approximately RMB18.7 million in FY 2015 as a result of the unfavourable exchange movements in RMB against other currencies in that year. In view of the diversification of the Group's business during the year, the management will closely observe the movements in RMB exchange rates and market interest rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

During the Reporting Period, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products by operating units in currencies other than the Group's functional currencies. Approximately 94% (2015: Nil) and 98% (2015: Nil) of the Group's sales and purchases, respectively, were denominated in foreign currency (the USD).

Currently, the Group does not have a foreign currency hedging policy.

Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments, the “Iron Concentrates” segment, “Gabbro-Diabase and Stone” segment, “Trading Business” segment and “Car-Park Business” segment. An analysis of the Group’s revenue by operating segment is as follows:

	2016 RMB’000	2015 RMB’000
Trading Business	**79,641**	–
Gabbro-Diabase and Stone	**4,753**	3,421
Car-Park Business	**190**	–
Iron Concentrates	**–**	–
	84,584	3,421

Further details of the Group’s segment results are set out in note 4 to the consolidated financial statements.

Furthermore, the majority of the Group’s non-current assets are located in the PRC in both years and an analysis of the Group’s revenue from the external customers by geographical segment is as follows:

	2016 RMB’000	2015 RMB’000
Mainland China	**46,070**	3,421
Asia	**38,324**	–
Hong Kong	**190**	–
	84,584	3,421

Further discussions on segment information and business performance are set out in the sections headed “Market Overview” and “Business Review”.

Capital Commitments

The Group’s commitments for capital expenditure were approximately RMB39.3 million as at 31 December 2016 (2015: approximately RMB61.6 million). This represented commitments for property, plant and equipment. The sources of funding for capital expenditure include unutilised net proceeds from the IPO of the Company and internally generated funds.

Legal Matters Update

Since March 2013, a subsidiary of the Company (the “Defendant”) was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business (the “Litigation”). After trial, judgement (the “Trial Judgement”) was issued by the Higher People’s Court of Hebei in March 2016 in relation to the Litigation, and the Defendant made an appeal against the Trial Judgement in April 2016 to the Supreme People’s Court of the PRC. In mid-August 2016, the Supreme People’s Court of the PRC issued its judgement (the “Appeal Judgement”). Such Appeal Judgement was served on the Defendant in late August 2016. Pursuant to the Appeal Judgement, the Supreme People’s Court of the PRC upheld the Trial Judgement, and ruled that, among others:

(a) the Defendant shall pay to the Plaintiff the outstanding construction fees of about RMB16.4 million, and the interest accrued on the outstanding construction fees up to the date on which the payment is made in full, at the then prevailing interest rates as announced by the People’s Bank of China for the comparable loans;

(b) the Defendant shall bear the litigation costs and expenses of about RMB0.9 million in aggregate; and

(c) the Defendant’s counterclaim was dismissed.

Following the delivery of the Appeal Judgement, the plaintiff has been taking legal steps to recover the outstanding construction fees and related costs and interests (the “Judgement Sum”) from the Defendant. As a result, some of the machineries and equipment of the Defendant had been freezed by the local court so that they may not be transferred, pledged or disposed of pending settlement of the Judgement Sum. Certain bank balances of approximately RMB1.3 million of the Defendant have also been withdrawn by a local court as partial settlement to the plaintiff during the Reporting Period, and the usage of certain bank balances of RMB1.5 million (note 17 to the consolidated financial statements) of the Defendant is subject to restrictions. The Defendant has been in close contact with the plaintiff and the local court to ascertain the settlement plan of the remaining Judgement Sum payable to the plaintiff.

The Judgement Sum (including the outstanding construction fee payable of about RMB16.4 million) had already been fully recognised as the Group’s other payables and accruals (note 19 to the consolidated financial statements) in its audited consolidated financial statements for the year ended 31 December 2016.

Subsequent to the end of Reporting Period, in March 2017, certain machineries and equipment of the Defendant, with net carrying value amounting to approximately RMB8.9 million as at 31 December 2016, has been freezed by the local court pursuant to the Trial and Appeal Judgements.

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 and other investment opportunities in order to achieve sustainable development, and to diversify the Group’s business and its income stream in the long run.

Employees and Remuneration Policies

The Group	31 December 2016
Number of employees	**136**

Type	Number of employees	Approximate percentage to the total number of employees
Production, sale and operation	91	67
Management and administrative support	45	33
Total	136	100

As at 31 December 2016, the Group had a total of 136 (2015: 142) full-time employees in Hong Kong and Mainland China (excluding workers under the piece-rate system and workers from the independent third-party contractors).

Hit by a number of unfavorable factors and the Disaster in July 2016, the iron concentrate business continued to be suspended and the Environmental Upgrade was postponed as well. To reduce loss, the management of Xingye had informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice. Pursuant to the PRC relevant laws and regulations, Xingye is required to pay the statutory minimum wages to its employees to support their living. The management of Xingye will review the situation and get the appropriate employees back to work in an orderly and timely manner.

The Group formulates its human resources allocation and 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 line with their individual performances and industry practice. Appropriate training programmes are also offered to ensure continuous staff training and development to keep the Group competitive.

Use of Net Proceeds

The net proceeds raised from the IPO of the Company in 2011 amounted to approximately RMB1,052 million. As at 31 December 2016, the application of the net proceeds raised from the IPO of the Company is set out as below.

	Net Proceeds from the IPO				
	Revised use of proceeds		**Utilised**		**Unutilised**
		At beginning of year	**During FY 2016**	**At end of year**	**At end of year**
	RMB' million	RMB' million	RMB' million	RMB' million	RMB' million
Development of iron concentrate business at Yanjiazhuang Mine, the Securities and Treasury Investment Business, the Debt Investment and Financing Business and the Trading Business (Note a)	463	154	94	248	215
Development of gabbro-diabase business	173	91	3	94	79
Repayment of shareholders' loans	105	105	–	105	–
Working capital	32	32	–	32	–
General working capital, acquisitions, financial management and other new business (if materialised) (Note b)	279	183	96	279	–
	1,052	565	193	758	294

Note a: These IPO proceeds were mainly utilised for the purchases of the Group's trading business during the FY 2016.

Note b: These IPO proceeds were mainly utilised for financial management (repayment of the Group's bank borrowings) and working capital purposes during the FY 2016.

During the Reporting Period, attributed to the expansion and diversification of the Group's businesses, the Company has approved the reallocation and future application of the above unutilised net proceeds, as further detailed in the Company's announcements dated 7 October 2016 and 1 November 2016.

Management Discussion and Analysis

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. As a socially responsible enterprise, we endeavor to develop the mine in a harmony and environmental-friendly manner and focus on creating a safe working space for the stakeholders. With the strategic location arising from the close proximity to steel mills and infrastructure development, the Yanjiazhuang Mine is well positioned to capture the upcoming market opportunities.

To enrich the Group's horizon geographically and develop new income stream, we have expanded into the downstream commodity trading business and diversified into the car-park business. We aim to grow these businesses on a steady-fast manner by tapping our business network in the sector so that we may be able to acquire market share and accomplish an economy of scale, therefore creating return for the Group and its shareholders as a whole.

Looking ahead, the Group shall monitor the progress in respect of the permits for the Yanjiazhuang Mine so as to formulate a strategy thereon.

Apart from business operations, the Group will seize mergers and acquisitions and investment and other business collaboration opportunities in order to achieve sustainable development, and to enhance its business performance and income stream in the long run.

Outlook and Future Plans

In 2016, dramatic changes have been taking place in the global political and economic development, while the new economic policies and environmental requirements of the PRC government presented many variables and challenges to the business development of the Group. To better meet the challenges posed by these external environments, the management has been looking for other business and investment opportunities to enable it to achieve the goal of carrying out sustainable development and diversifying business and revenue sources, thereby enhancing the Group's overall performance.

During the Reporting Period, the Group has successfully carried out the trading business and car-park business and expanded its business to Hong Kong and overseas countries. The Group would maintain this momentum in the next several years to further expand the existing business to a scale of economic efficiency and to create benefits for its Shareholders in the long run. The Group is striving to expand the trading business to the supply and trading of other commodities, steel products and other building and construction materials so as to broaden its revenue source and expand its business portfolio. The management is targeting to expand the trading business in an orderly manner, and will consider to liaise with the leading enterprises in this industry about the possibility of business cooperation, or even the opportunity for the Group to carry out long-term business cooperation with overseas mines and factories directly so as to pave the way for the Group's long-term development.

Outlook and Future Plans *(Continued)*

In addition to our efforts to expand the trading business and car-park business, the management of Xingye continues to negotiate with local village representatives and authorities and to implement various ways to resume the operations at the Yanjiazhuang Mine. We hope Xingye is able to resume the gabbro-diabase and stone business and iron concentrate business gradually and orderly in compliance with laws and regulations and under appropriate market conditions.

Regarding the permits, the tightening national requirements for 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 stepping up its control over the issuance of permits. This, together with the changes in government policies, has caused delays in the renewal and issuance of certain permits in relation to the operation at the Yanjiazhuang Mine. Xingye will continue its communications with the relevant government authorities to facilitate the renewal and issuance of the production safety permits. In addition, EPA is now conducting the evaluation of environmental risk associated with the closure, suspension and relocation of the relevant enterprises as part of the PRC government's efforts to attain the overall objective of carrying out green development and improving the quality of the ecosystem and environmental quality under the 13th Five-Year Plan. The Group will closely monitor the relevant requirements under 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.

Furthermore, the mining permit in respect of the Yanjiazhuang Mine will expire in July 2017. The management of Xingye has started to look into its renewal arrangements and is planning to initiate the renewal application in the coming months. Consultation has been made with PRC legal advisers and the relevant authorities on the steps and approvals required from the relevant authorities for such renewal. However, as the mining operation at the Yanjiazhuang Mine has been suspended for a certain period of time, the management anticipates that Xingye would encounter complications and difficulties during the renewal process, and need more efforts and time to communicate with the relevant authorities and to complete the renewal process. The Group will monitor the progress so as to formulate a strategy in respect of the Yanjiazhuang Mine.

Apart from the above business development, the Group will cautiously capture overseas mergers and acquisitions and other collaboration or investment opportunities in order to achieve sustainable development. The Group will assess, on an ongoing basis, the possible impact of external environmental factors such as political, economic, social and technological development in China, Hong Kong and the world on its existing business, and will adjust its business and investment strategies if necessary in an attempt to adapt itself to the new environment.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2016.

Corporate Governance Practices

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth and value creation. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. During FY 2016, we adopted corporate governance principles that emphasize a quality Board, effective risk management and internal control systems, 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.

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.

Board Composition

The Board currently comprises seven Directors, consisting of two executive Directors, two 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 47 to 51 of this annual report under the section headed "Directors' and Senior Management's Profile".

The Board *(Continued)*

Board Composition *(Continued)*

The list of Directors (by category) as set out under “Corporate Information” on page 131 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 2016, 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 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.

The Board *(Continued)*

Nomination Committee

The Nomination Committee was established on 8 June 2011 and currently comprises three members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, being independent non-executive Directors.

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, are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

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 Board *(Continued)*

Nomination Committee *(Continued)*

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

A summary of the work performed by the Nomination Committee during FY 2016 is set out as follows:

– 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 2016 AGM.

In accordance with articles 106(1) and 106(2) of the Articles, Dr. Cheng Kar Shun, Mr. Lee Kwan Hung and Mr. Luk Yue Kan will retire from their office by rotation at the 2017 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as the Directors at the 2017 AGM.

The Nomination Committee recommended the re-appointment of these retiring Directors at the 2017 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 2016 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. Shin Yick, Fabian	1/1
Mr. Lam Wai Hon, Patrick (Note 1)	0/0
Mr. Hui Hon Chung (Note 2)	1/1

Notes:

(1) Resigned on 2 January 2016.

(2) Appointed on 2 January 2016 and resigned on 23 January 2017.

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.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

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 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					
Name of Director	Corporate Governance	Regulatory Development	Business or Management	Other Relevant Topics	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
Non-executive Directors						
Dr. Cheng Kar Shun *(Chairman)*	–	–	–	–	✓	–
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)* (Note 1)	–	–	–	–	–	–
Mr. Hui Hon Chung *(Vice-Chairman)* (Note 2)	–	–	–	✓	✓	–
Mr. Cheng Chi Ming, Brian (Note 3)	–	–	–	–	✓	–
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	–	–	–	✓	✓	–

Notes:

(1) Resigned on 2 January 2016.

(2) Appointed on 2 January 2016 and resigned on 23 January 2017.

(3) Resigned on 23 January 2017.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

According to the training records received by the Company, an average of approximately 18 training hours were undertaken by each Director during FY 2016.

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.

In respect of regular Board meetings or committee meetings and so far as practicable in all other cases, meeting papers are sent to the Directors or respective committee members in a timely manner and at least 3 days before the intended date of the respective meetings 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 operating officer, 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 2016, 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 2016 are as follows:

Name of Director	Attendance/ Number of Meeting(s) held during the respective term of services: Board Meeting(s)	AGM
Non-executive Directors		
Dr. Cheng Kar Shun *(Chairman)*	3/4	1/1
Mr. Lam Wai Hon, Patrick *(Vice-Chairman)* (Note 1)	0/0	0/0
Mr. Hui Hon Chung *(Vice-Chairman)* (Note 2)	4/4	1/1
Mr. Cheng Chi Ming, Brian (Note 3)	2/4	1/1
Mr. Wu Wai Leung, Danny	4/4	1/1
Executive Directors		
Mr. Li Changfa	4/4	1/1
Mr. Luk Yue Kan	4/4	1/1
Independent Non-executive Directors		
Mr. Tsui King Fai	4/4	1/1
Mr. Lee Kwan Hung	4/4	1/1
Mr. Shin Yick, Fabian	4/4	1/1
Total number of meetings held during FY 2016:	**4**	**1**

Notes:

(1) Resigned on 2 January 2016.

(2) Appointed on 2 January 2016 and resigned on 23 January 2017.

(3) Resigned on 23 January 2017.

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 2016. 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 2016.

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 2016.

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.

Delegation of Management Functions *(Continued)*

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

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

The Board has established four committees, namely, the Nomination Committee, the Investment Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which (except the terms of reference of the Investment Committee) 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 (except the Investment 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 131.

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.

Investment Committee

The Investment Committee was established on 7 October 2016 and currently comprises two members, including Mr. Wu Wai Leung, Danny (Chairman of the Committee), being a non-executive Director, and Mr. Luk Yue Kan, being an executive Director.

The specific written terms of reference of the Investment Committee are approved and adopted by the Board on 7 October 2016.

Investment Committee *(Continued)*

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

– To consider, review, evaluate and approve investment proposals, including but not limited to trading of listed and unlisted debt or equity securities, structured products, and treasury products, for consideration at or below 5% of the total assets of the Group (as published in its latest interim or annual financial statements where applicable) or the market capitalisation of the Company, whichever is the lower (collectively the "Allowable Threshold"). All Directors shall report any investment proposal they have formulated or any reasonable investment opportunity that has come to their attention to the Committee as soon as possible. For investment proposals with consideration exceeding the Allowable Threshold, the Committee shall review and make recommendations to the Board;

– To review and make recommendations to the Board for appropriate securities dealing, investment and treasury strategies; and

– To consider such other topics and matters as may be delegated by the Board from time to time.

A summary of the work performed by the Investment Committee for the period during from its establishment to 31 December 2016 is set our as follows:

– Reviewed and discussed the investment strategy and direction of the Group for the year ending 31 December 2017; and

– Reviewed its terms of reference.

The Investment Committee held a meeting for the period during from its establishment to 31 December 2016 and the attendance records of the Investment Committee members are as follows:

Name of Investment Committee Member	Attendance/Number of Meeting(s) held
Mr. Wu Wai Leung, Danny *(Chairman of the Committee)*	1/1
Mr. Luk Yue Kan	1/1

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 2016 are set out in note 7 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and currently comprises three members, including Mr. Lee Kwan Hung (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, being independent non-executive Directors.

The specific written terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited. 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.

The Remuneration Committee held two meetings during FY 2016 and the attendance records of the Remuneration Committee 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. Shin Yick, Fabian	2/2
Mr. Lam Wai Hon, Patrick (Note 1)	0/0
Mr. Hui Hon Chung (Note 2)	2/2

Notes:

(1) Resigned on 2 January 2016.

(2) Appointed on 2 January 2016 and resigned on 23 January 2017.

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee *(Continued)*

A summary of the work performed by the Remuneration Committee during FY 2016 is set out as follows:

– Reviewed the remuneration policy and structure of the Company;

– Reviewed and recommended to the Board on the remuneration packages (including discretionary bonus) of Directors and senior management of the Company for FY 2016 and financial year ending 31 December 2017; and

– Reviewed and recommended to the Board on the renewal of service contract with an executive Director.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

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

During FY 2016, 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.

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness; in particular, it is responsible for evaluating and determining the nature and extent of the risks in maintaining appropriate and effective risk management and internal control systems for the Group to safeguard investments of the Shareholders and assets of the Company. Such systems of the Group are 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 systems have 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.

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

During the Reporting Period, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls in areas such as finance, operations and compliance, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function. The Board concluded that in general, the Group's risk management and internal control systems and processes for financial reporting and Listing Rules compliance are effective and adequate.

The Risk Management Department, the Company's internal audit function, 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 control and risk management so as to provide assurance that key business and operational risks are identified, evaluated and managed. The work carried out by the Risk Management Department will ensure the internal control 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 risk management and 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.
- Review continuing connected transactions entered into by the Group and effectiveness of the internal control procedures in place to ensure the continuing connected transactions are conducted in compliance with the Listing Rules, and report the findings to the Board.

Information and Communication

- Information in sufficient details 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.
- To ensure compliance with the continuous disclosure obligation of inside information, the Group has adopted a policy for handling and dissemination of inside information. The policy provides guidance to officers on whether the information shall be considered as inside information, and if so, officers shall report to the Board for disclosure. The Group has communicated to the officers regarding the policy in place and has reminded the officers of their reporting obligation from time to time.

Control Activities

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

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

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 to enable it to assess control of the Group and the effectiveness of risk management. 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. For discussions of significant risks faced by the Group during the Reporting Period, please refer to the sections headed "Market Overview", "Business Review" and "Outlook and Future Plans" in the Management Discussion and Analysis in this annual report. During the Reporting Period, the Group has been able to proactively respond to the changes in its business and external environments.

Audit Committee

The Audit Committee was established on 8 June 2011 and currently 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. Shin Yick, Fabian. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The specific written terms of reference of the Audit Committee, which was revised on 30 December 2015 in light of the amendment of the Listing Rules, are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

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, risk management and internal control systems and associated procedures; and

- To oversee the risk management and internal control systems 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 2016 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 financial statements for FY 2015 and interim financial report for the six-months ended 30 June 2016 respectively;

– Met with the external auditors and reviewed their work and findings relating to the annual audit for FY 2015 and the effectiveness of the audit process;

– Reviewed with management and finance-in-charge the effectiveness of the risk management and internal control system of the Group, including effectiveness of the Risk Management Department, the Company's internal audit function;

– Conducted annual review of the non-exempt continuing connected transactions of the Group for FY 2015;

– Approved the internal audit plan for FY 2016, the internal audit report and risk management report for FY 2015 and the internal audit report and risk assessment report for the six months ended 30 June 2016;

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

- Reviewed the external auditors' independence, approved the engagement of external auditors and recommended the Board on the re-appointment of external auditors;

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

- Noted the impact on 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 2016 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. Shin Yick, Fabian	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 2017 to consider, among others, the Group's annual results and annual report for FY 2016.

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 2017 AGM. During FY 2016, the external auditors have rendered 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 61 to 65.

Accountability and Audit *(Continued)*

External Auditors' Independence and Remuneration *(Continued)*

A summary of audit services provided by the external auditors for FY 2016 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	1,300
Total	**1,800**

Company Secretary

The company secretary of the Company (the "Company Secretary"), who is also an executive Director and the chief financial officer of the Company, 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 2016, the Company Secretary undertook no less than 15 hours of relevant professional training. His biography is set out on page 48 of this annual report under the section headed "Directors' and Senior Management's Profile".

Constitutional Documents

The Memorandum and Articles were revised on 19 May 2016 by special resolution in the 2016 AGM in order to, among others, conform with the latest amendments to the Listing Rules and the Companies Ordinance, and the administrative efficiency and housekeeping purposes. The details of the amendments to the Memorandum and Articles were set out in the circular of the Company dated 18 April 2016 and the amended and restated Memorandum and Articles are available on the websites of the Company and the Hong Kong Exchanges and Clearing Limited.

Save as disclosed above, there was no significant change in the Company's constitutional document during FY 2016.

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, Audit Committee Investment Committee or, in their absence, other members of the respective committees are available to answer questions at general meetings.

The 2017 AGM is scheduled to be held on 23 May 2017. 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, 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, Hong Kong.

Shareholders' Rights *(Continued)*

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.

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 70, was appointed as a non-executive Director and the chairman of the Company on 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 non-executive director of New World Department Store China Limited (stock code: 825) and FSE Engineering Holdings Limited (stock code: 331), 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 SJM Holdings Limited (stock code: 880). He is the chairman and managing director of New World China Land Limited (stock code: 917), a listed public company in Hong Kong until its delisting on 4 August 2016. 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, Chow Tai Fook Enterprises Limited and Mombasa 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. Moreover, he was a non-executive director of Lifestyle International Holdings Limited (stock code: 1212), up to his retirement on 4 May 2015.

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.

Mr. Wu Wai Leung, Danny
Non-executive Director

Mr. Wu, aged 56, was appointed as a non-executive Director on 21 May 2015. He is currently the chairman of the Investment Committee and a director of several PRC subsidiaries of the Company. Mr. Wu is also an executive director and the chief executive officer of Greenheart Group Limited (stock code: 94) and an independent non-executive director of Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911).

Mr. Wu was previously an independent non-executive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company, up to his retirement at the conclusion of the 2015 AGM.

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 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 the Economic Advisor of Weifang Municipal Overseas Investment Promotion Bureau, Shandong Province, the PRC.

Directors' and Senior Management's Profile

Board of Directors *(Continued)*

Mr. Li Changfa
Executive Director/Chief Operating Officer

Mr. Li, aged 70, was appointed as an executive Director and the chief operating officer of the Company on 1 March 2014. He is currently the chairman of the board of directors and legal representative of several PRC subsidiaries of the Company. He is responsible for the overall operation management and strategic development of the Group, and oversee the management, operation, sales 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.

Mr. Luk Yue Kan
Executive Director/Chief Financial Officer/Company Secretary

Mr. Luk, aged 41, was appointed as an executive Director and the chief financial officer of the Company on 1 April 2015 and is a member of the Investment Committee. He joined the Company in March 2011 as the financial controller. In November 2011, he assumed the additional role of company secretary of the Company. He oversees the trading business, car-park business, treasury management, financial reporting, company secretarial, human resources, risk management, mergers and acquisitions, and investor relations matters of the Company. He is also a director and company secretary of various subsidiaries of the Company.

Mr. Luk holds an Executive MBA degree from Richard Ivey School of Business at The University of Western Ontario in Canada and a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow 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 19 years' experience in auditing, accounting and financial management.

Board of Directors *(Continued)*

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 67, was appointed as an independent non-executive Director on 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
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

Moreover, Mr. Tsui was a director and senior consultant of WAG Worldsec Corporate Finance Limited up to his resignation on 30 June 2016.

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 Chartered Accountants Australia and New Zealand, 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.

Board of Directors *(Continued)*

Mr. Lee Kwan Hung
Independent Non-executive Director

Mr. Lee, aged 51, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. Currently, he is a consultant of Howse Williams Bowers.

He currently also holds positions in the following listed companies:

Name of company	Title
Embry Holdings Limited (stock code: 1388)	Independent non-executive director
NetDragon Websoft Holdings Limited (stock code: 777) (formerly known as NetDragon Websoft Inc.)	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
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
Red Star Macalline Group Corporation Ltd. (stock code: 1528)	Independent non-executive director
FSE Engineering Holdings Limited (stock Code: 331)	Independent non-executive director
Ten Pao Group Holdings Limited (stock Code: 1979)	Independent non-executive director
China Goldjoy Group Limited (stock code: 1282)	Independent non-executive director

Moreover, he was an independent non-executive director of Yuexiu REIT Asset Management Limited (stock code: 405), Far East Holdings International Limited (stock code: 36) and Vestate Group Holdings Limited (formerly known as Walker Group Holdings Limited) (stock code: 1386), up to his resignation on 7 October 2014, 12 November 2014 and 1 April 2016 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.

Board of Directors *(Continued)*

Mr. Shin Yick, Fabian
Independent Non-executive Director

Mr. Shin, aged 48, was appointed as an independent non-executive Director on 14 August 2015 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Shin is currently the chief executive officer of Zhaobangji International Capital Limited, which is engaged in investment business, an independent non-executive director of Lisi Group (Holdings) Limited (stock code: 526), China Shun Ke Long Holdings Limited (stock code: 974) and Huabang Financial Holdings Limited (formerly known as Goldenmars Technology Holdings Ltd) (stock code: 3638) and a non-executive director of Pak Tak International Limited (stock code: 2668). He was the deputy chief executive officer of CMB International Capital Limited from February 2010 to July 2015. Mr. Shin has over 26 years of experience in investment banking and financial management. Prior to joining CMB International Capital Limited, he worked in several investment banks in Hong Kong.

Mr. Shin was an independent non-executive director of Little Sheep Group Limited (stock code: 968), a listed public company in Hong Kong until its delisting in February 2012, up to his resignation in February 2012. Moreover, Mr. Shin was appointed as a non-executive director of Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911) on 6 January 2016 and resigned on 3 February 2016.

Mr. Shin graduated from the University of Birmingham in England with a Bachelor's degree in commerce. After graduation, he worked in the audit department of Deloitte Touche Tohmatsu. He had also worked in a listed company in Hong Kong as group financial controller. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Senior Management

Mr. Li Changfa
Chief Operating Officer

(Please refer to the profile details in above section)

Mr. Luk Yue Kan
Chief Financial Officer/Company Secretary

(Please refer to the profile details in above section)

Report of the Directors

The Directors have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for FY 2016.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements. Further discussion and analysis of these activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, a review of the financial performance of the Group, the Group's environmental policies and performance and the compliance with the relevant laws and regulations, can be found in the Management Discussion and Analysis set out on pages 4 to 25 of this annual report. Particulars of important events affecting the Group that have occurred since the end of FY 2016 are set out in the section headed "Important Past Year End Events" on page 53. Key relationships with the Group's employees, customers, suppliers and contractors are set out in the sections headed "Relationship with Stakeholders" and "Major Customers and Suppliers" on page 54. The abovementioned discussions form parts of the business review as contained in this report of the Directors.

Results and Appropriations

The results of the Group for FY 2016 and the Group's financial position as at 31 December 2016 are set out in the consolidated financial statements on pages 66 to 127.

The Directors do not recommend the payment of a final dividend for FY 2016 (2015: 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 23 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.

Equity-linked Agreements

Save for the share option schemes of the Company set out in the section headed "Share Option Schemes" on page 57 and note 24 to the consolidated financial statements, no equity-linked agreements were entered into during FY 2016 or subsisted at the end of FY 2016.

Permitted Indemnity Provision

Under the Articles, the Company had a permitted indemnity provision (as defined in section 469 of the Companies Ordinance) in force for the benefit of the Directors throughout the Reporting Period and as at the date of approval of this report of the Directors, pursuant to which the Company shall indemnify any Director against any liability, loss suffered and expenses incurred by the Director in connection with any legal proceedings in which he is involved by reason of being a Director, and in which the judgement is given in his favour or in which he is acquitted. The Company has maintained insurance cover for Directors' and officers' liabilities in respect of legal actions against the Directors arising out of corporate activities.

Important Past Year End Events

Except as disclosed in this annual report, since 31 December 2016, being the end of the financial year under review, and up to the latest practicable date for the purpose of ascertaining information contained in this annual report, no important event materially affecting the Group has occurred.

Distributable Reserves

As at 31 December 2016, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2016 Revision) of the Cayman Islands, amounted to approximately RMB29,613,000. 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.

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

During FY 2016, 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 Company and the Group as at 31 December 2016 are set out in note 20 to the consolidated financial statements.

Relationship with Stakeholders

The Group recognises that employees, customers, suppliers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality products and services to its customers and enhancing cooperation with its suppliers and business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions. Unfortunately, hit by a number of unfavorable factors and the Disaster in July 2016, the management of Xingye had informed local employees of production, operation and sales functions to suspend from attending work on a temporary basis until further notice. Pursuant to the PRC relevant laws and regulations, Xingye is required to pay the statutory minimum wages to its employees to support their living. The management of Xingye will review the situation and get the appropriate employees back to work in an orderly and timely manner.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continual interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to enhance the stability of the Group's businesses. The Group reinforces the business partnership with suppliers and contractors by ongoing communication in a proactive manner.

During the Reporting Period, the Group has high reliance on major suppliers and customers for the trading business. Going forward, the management will consider to liaise with the leading enterprises in this industry about the possibility of business cooperation, or even the opportunity for the Group to carry out long-term business cooperation with overseas mines and factories directly so as to enrich the customer and supplier portfolios and mitigate the potential credit risk and business continuity risk that may associated with the over reliance on major customers and suppliers.

Further disclosures about credit terms and creditworthiness of customers and ageing analysis of the Group's receivables and payables are set out in notes 15 and 18 to the consolidated financial statements.

Major Customers and Suppliers

For the Reporting Period, the Group's revenue mainly comes from its trading business, which represented a new revenue source. 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 49% of the Group's total revenue for FY 2016. The Group has built up its business relationships with these major customers in 2016, which are group companies of certain state-owned enterprises.

For the Reporting Period, the Group's major suppliers include trader of iron ore, and providers of fuels, accessories and various supplies to the Yanjiazhuang Mine. The aggregate purchases from the five largest suppliers of the Group accounted for approximately 99% of the Group's total purchases and purchases from the largest supplier accounted for approximately 98% of the Group's total purchases for FY 2016. Except for the trader which supplied iron ore to the Group from overseas in 2016, other major suppliers are located in the Yanjiazhuang Mine area having some long business relationships with Xingye.

None of the Directors, their close associates (as defined under the Listing Rules), or any Shareholder which to the knowledge of the Directors owns 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.

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. Hui Hon Chung	*(Vice-Chairman)* (appointed on 2 January 2016 and resigned on 23 January 2017)
Mr. Cheng Chi Ming, Brian	(resigned on 23 January 2017)
Mr. Wu Wai Leung, Danny	
Mr. Lam Wai Hon, Patrick	(resigned on 2 January 2016)

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

In accordance with articles 106(1) and 106(2) of the Articles, Dr. Cheng Kar Shun, Mr. Lee Kwan Hung and Mr. Luk Yue Kan will retire from their office by rotation at the 2017 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as the Directors at the 2017 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.

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 128.

Changes in Directors' Information

The changes in the Directors' information since the disclosure made in the Interim Report 2016 are set out below:

Name of Director	Details of Changes
Mr. Li Changfa	• The total monthly salary increased from RMB106,600 to RMB117,300 plus discretionary bonus with effect from 1 January 2017.
Mr. Luk Yue Kan	• The total monthly salary increased from HK$133,700 to HK$147,100 plus discretionary bonus with effect from 1 January 2017.
Dr. Cheng Kar Shun	• The directors' fee increased from HK$287,450 per annum to HK$300,000 per annum with effect from 1 January 2017.
Mr. Wu Wai Leung, Danny	• The directors' fee increased from HK$230,000 per annum to HK$240,000 per annum with effect from 1 January 2017.
Mr. Tsui King Fai	• The directors' fee increased from HK$230,000 per annum to HK$240,000 per annum with effect from 1 January 2017.
Mr. Lee Kwan Hung	• The directors' fee increased from HK$230,000 per annum to HK$240,000 per annum with effect from 1 January 2017.
Mr. Shin Yick, Fabian	• The directors' fee increased from HK$230,000 per annum to HK$240,000 per annum with effect from 1 January 2017. • Appointed as a non-executive director of Pak Tak International Limited (stock code: 2668), which is a listed public company in Hong Kong, on 9 February 2017.

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 47 to 51.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2017 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 Transactions, Arrangements or Contracts

Other than as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors and "Related Party Transactions" in note 27 to the consolidated financial statements, at the end of FY 2016 or at any time during FY 2016, no transaction, arrangement or 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, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest subsisted.

Directors' Interests in Competing Business

During FY 2016 and up to the date of this annual report, the following Director is considered to have interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules as set out below:

Name	Entity whose business is considered to compete or likely to compete with the businesses of the Group	Description of business of the entity which is considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director in the entity
Dr. Cheng Kar Shun	NWS Holdings Limited group of companies	Car-park management	Director and shareholder
	FSE Holdings Limited group of companies	Car-park management	Director and shareholder

As the Board is independent of the boards of the abovementioned entities and the above Director cannot control the Board, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the businesses of these entities.

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

As at 31 December 2016, none of Directors and chief executives of the Company has the interests and short positions 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.

Share Option Scheme

The Company adopted a share option scheme on 9 April 2010 (the "2010 Share Option Scheme"). No share option was granted under the 2010 Share Option Scheme since its adoption.

Details of the Company's share option scheme is set out in note 24 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 2016 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 2016, 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	360,000,000	9.00%
VMS Investment Group Limited ("VMS")(9)	Interest of controlled corporation	360,000,000	9.00%
Fast Fortune Holdings Limited ("Fast Fortune")(9)	Beneficial interest	360,000,000	9.00%

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 61.33% 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. Ms. Mak Siu Hang, Viola holds a 100% direct interest in VMS. Therefore, Ms. Mak Siu Hang, Viola 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 who, as at 31 December 2016, 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 2016 and up to the date of this report.

Report of the Directors

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 26 to 46.

Connected Transactions

A summary of significant related party transactions is disclosed in note 27 to the consolidated financial statements. These transactions constitute continuing connected transactions of the Company that are exempted from any disclosure requirement under Chapter 14A of the Listing Rules.

Annual General Meeting

The 2017 AGM of the Company for FY 2016 is scheduled to be held on Tuesday, 23 May 2017. A notice convening the 2017 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 Wednesday, 17 May 2017 to Tuesday, 23 May 2017 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2017 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, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 May 2017.

Auditors

The financial statements for FY 2016 have been audited by Messrs. Ernst & Young, who will retire at the 2017 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 2017 AGM.

On behalf of the Board

Dr. Cheng Kar Shun
Chairman

Hong Kong, 29 March 2017

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of Newton Resources Ltd (the "Company") and its subsidiaries (the"Group") set out on pages 66 to 127, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of Iron Ore mine related non-current assets	
The non-current assets (including property, plant and equipment ("PPE"), intangible assets and prepaid land lease payments) related to Yanjiazhuang Iron Ore Mine constituted a significant portion of the Group's assets as at 31 December 2016. At the year-end of 2016, the iron concentrates production has been suspended as a result of principally the land appropriation dispute with local villagers and the new demands from local villagers. The production suspension of Yanjiazhuang Iron Ore Mine constituted an impairment indicator for the Group's non-current assets. The management engaged an independent valuer and performed an impairment test on the relevant cash generating unit ("CGU") of Yanjiazhuang Iron Ore Mine by comparing the present value of forecasted future cash flows with the carrying amount of the CGU as at 31 December 2016. Estimating the future cash flows requires critical management judgement including estimation of future sales, gross margins, operating costs, growth rates, capital expenditures and the discount rate. Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise, and their impact on estimates and forecasts may be material.	We assessed valuation model and tested the key assumptions used, such as the discount rate, forecasted commodity price, production volume, production start date, unit cost, capital expenditures, by comparing them to financial budget, analysis on industry and the Group's development plan. We involved our valuation specialists to assist us in these procedures. We also assessed the adequacy of the related disclosures in the notes to the financial statements. For the accounting policies and disclosure of non-current assets please refer to the note 2.4, 3.2(a), 3.2(b), 3.2(c), 11, 12 and 13 to the consolidated financial statements.

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of Gabbro-Diabase mine related non-current assets	
The non-current assets (including PPE and intangible assets) related to Yanjiazhuang Gabbro-Diabase mine constituted a significant portion of the Group's assets as at 31 December 2016. Since July 2016, the Gabbro-Diabase and Stone production has been suspended principally due to flood and landslides caused by heavy rain. The production suspension of Yanjiazhuang Gabbro-Diabase mine constituted an impairment indicator on the Group's non-current assets. The management engaged an independent valuer and performed an impairment test on the CGU of Yanjiazhuang Gabbro-Diabase mine by comparing the fair value less cost of disposal with the carrying amount of the CGU as of 31 December 2016. Estimating the recoverable amount requires critical management judgement including estimation of replacement cost, physical deterioration, as well as applicable functional or economic obsolescence.	We assessed both the fair value and the cost of disposal and tested the key assumptions used, such as replacement cost/market value, remaining useful life, residual value, physical deterioration, applicable functional or economic obsolescence, marketability, as well as cost to sell, by comparing them to the market data, historical cost, economical useful life and remaining useful lives. We involved our valuation specialists to assist us in these procedures. We also assessed the adequacy of the related disclosures in the notes to the financial statements. The accounting policies and disclosure of non-current assets please refer to the note 2.4, 3.2(a), 3.2(b), 3.2(c), 11 and 12 to the consolidated financial statements.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's responsibilities for the audit of the consolidated financial statements *(Continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountant
Hong Kong

29 March 2017

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	4	**84,584**	3,421
Cost of sales		**(84,178)**	(2,139)
Gross profit		**406**	1,282
Other income and gains		**17**	–
Selling and distribution costs		**(871)**	(2,013)
Administrative expenses		**(44,918)**	(38,315)
Impairment loss on property, plant and equipment	11	**(423,549)**	–
Impairment loss on intangible assets	12	**(48,790)**	–
Impairment loss on prepaid land lease payments	13	**(1,959)**	–
Impairment loss on prepayments	16	**(12,987)**	–
Other expenses		**(15,251)**	–
Finance income/(expense), net	6	**4,391**	(6,598)
Loss before tax	5	**(543,511)**	(45,644)
Income tax expense	8	**–**	–
Loss for the year		**(543,511)**	(45,644)
Total comprehensive loss for the year		**(543,511)**	(45,644)
Attributable to:			
Owners of the Company		**(538,055)**	(45,351)
Non-controlling interests		**(5,456)**	(293)
		(543,511)	(45,644)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cent)	10	**(13.45)**	(1.13)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	11	**270,267**	710,408
Intangible assets	12	**938**	49,938
Prepaid land lease payments	13	**1,307**	3,307
		272,512	763,653
Current assets			
Inventories	14	**9,193**	13,916
Trade and bills receivables	15	**38,331**	3,142
Prepayments, deposits and other receivables	16	**32,807**	40,786
Cash and bank balances	17	**402,844**	530,233
		483,175	588,077
Current liabilities			
Trade payables	18	**2,682**	4,345
Other payables and accruals	19	**87,752**	70,234
Interest-bearing bank borrowings	20	**223,625**	284,852
Income tax payable		**7,634**	7,634
		321,693	367,065
Net current assets		**161,482**	221,012
Total assets less current liabilities		**433,994**	984,665
Non-current liabilities			
Long-term payables	21	**500**	7,660
Net assets		**433,494**	977,005
Equity			
Equity attributable to owners of the Company			
Share capital	22	**331,960**	331,960
Reserves		**104,916**	642,971
		436,876	974,931
Non-controlling interests		**(3,382)**	2,074
Total equity		**433,494**	977,005

Li Changfa
Director

Luk Yue Kan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company							
	Share capital RMB'000 Note 22	Share premium account RMB'000	Capital reserves RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	331,960	719,871	80,864	9,220	(121,633)	1,020,282	2,367	1,022,649
Loss for the year	–	–	–	–	(45,351)	(45,351)	(293)	(45,644)
Other comprehensive income for the year	–	–	–	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	(45,351)	(45,351)	(293)	(45,644)
Transfer of share option reserve upon the expiry of share options	–	–	–	(9,220)	9,220	–	–	–
At 31 December 2015 and 1 January 2016	**331,960**	**719,871**	**80,864**	**–**	**(157,764)**	**974,931**	**2,074**	**977,005**
Loss for the year	**–**	**–**	**–**	**–**	**(538,055)**	**(538,055)**	**(5,456)**	**(543,511)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(538,055)**	**(538,055)**	**(5,456)**	**(543,511)**
At 31 December 2016	**331,960**	**719,871***	**80,864***	**–***	**(695,819)***	**436,876**	**(3,382)**	**433,494**

* These reserve accounts comprise the consolidated reserves of RMB104,916,000 (2015: RMB642,971,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Loss before tax		**(543,511)**	(45,644)
Adjustments for:			
Depreciation of items of property, plant and equipment	5	**10,730**	10,363
Amortisation of intangible assets	5	**210**	61
Amortisation of prepaid land lease payments	5	**101**	101
Impairment loss on property, plant and equipment		**423,549**	–
Impairment loss on intangible assets		**48,790**	–
Impairment loss on prepaid land lease payments		**1,959**	–
Impairment of trade receivables	5	**313**	–
Impairment loss on prepayments		**12,987**	–
Write-down of inventories to net realisable value	5	**5,991**	1,073
Write-off of items of property, plant and equipment	5	**694**	–
Write-off of inventories	5	**749**	–
Finance (income)/expense, net	6	**(4,391)**	6,598
Cash flows before working capital changes		**(41,829)**	(27,448)
Increase in inventories		**(2,017)**	(7,020)
Increase in trade and bills receivables		**(35,502)**	(3,142)
(Increase)/decrease in prepayments, deposits and other receivables		**(5,367)**	2,814
Increase in restricted bank deposits		**(274)**	(2)
(Decrease)/increase in trade payables		**(1,663)**	3,984
Increase in other payables and accruals		**18,293**	656
Cash used in operations		**(68,359)**	(30,158)
Interest received		**11,453**	22,516
Bank charges paid		**(4)**	(181)
Net cash flows used in operating activities		**(56,910)**	(7,823)
Cash flows from investing activities			
Purchase of items of property, plant and equipment		**(3,806)**	(6,739)
Net cash flows used in investing activities		**(3,806)**	(6,739)
Cash flows from financing activities			
Repayment of bank borrowings		**(77,625)**	(72,816)
New bank borrowing		**–**	23,673
Interest paid		**(6,606)**	(7,627)
Net cash flows used in financing activities		**(84,231)**	(56,770)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Net decrease in cash and cash equivalents		**(144,947)**	(71,332)
Cash and cash equivalents at beginning of year		**529,041**	600,665
Effect of foreign exchange rate changes, net		**17,284**	(292)
Cash and cash equivalents at end of year		**401,378**	529,041
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	**402,844**	530,233
Restricted bank balances	17	**(1,466)**	(1,192)
Cash and cash equivalents at end of year		**401,378**	529,041

1. Corporate and Group 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 trading business, mining, processing and sale of iron concentrates and gabbro-diabase and stone products and car-park business.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

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	Hong Kong Dollars ("HK$") 1,189	–	100	Investment holding
Lincheng Xingye Mineral Resources Co., Ltd ("Xingye") 臨城興業礦產資源有限公司*/**	Mainland China	United States Dollars ("US$") 50,000,000 (paid-up/registered)	–	99	Mining, processing and sale of iron concentrates and gabbro-diabase and stone products
Ace Profit Investment Limited 向利投資有限公司	Hong Kong	HK$1	–	100	Commodity trading
Opus One Parking Limited	Hong Kong	HK$100	–	52	Car-park operation

* It is registered as a sino-foreign joint venture under PRC law.

** 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.

2.1 Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. 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 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 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.

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 above. 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 losses, 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 new and revised IFRSs for the first time for current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*

Except for the amendments to IFRS 10, IFRS 12 and IAS 28 (2011), amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, and amendments to IAS 27 (2011), which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the other amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. The amendments have had no significant impact on the Group's financial statements.

2.2 Changes in Accounting Policies and Disclosures *(Continued)*

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) Annual Improvements to IFRSs 2012-2014 Cycle issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRS 16	*Lease*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 12*[1]
Annual Improvements 2014-2016 Cycle	*Amendments to IFRS 1*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to IAS 28*[2]

2.3 Issued but not yet Effective International Financial Reporting Standards *(Continued)*

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

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.

2.4 Summary of Significant Accounting Policies

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.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs 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 profit or loss 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 other than goodwill 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 profit or loss in the period in which it arises.

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

2.4 Summary of Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

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

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

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

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

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

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

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

(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, and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(Continued)*

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

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

Buildings	20 years
Motor vehicles, fixtures and others	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 profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

Stripping costs

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 3.1(b)).

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

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 profit or loss 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 board approval.

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.

2.4 Summary of Significant Accounting Policies *(Continued)*

Stripping costs *(Continued)*

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.

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 license 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 profit or loss when the mining property is abandoned.

2.4 Summary of Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

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 are 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 profit or loss 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 profit or loss when the exploration property is abandoned.

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 profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

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

2.4 Summary of Significant Accounting Policies *(Continued)*

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 profit or loss. The loss arising from impairment is recognised in profit or loss 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 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 profit or loss.

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 profit or loss 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 profit or loss.

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 consolidated 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 profit or loss.

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 profit or loss. 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 taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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 taxation authority.

Revenue recognition

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

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

(b) car-parking fee income is recognised when services are rendered; and

(c) 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.

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 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss 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 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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in other comprehensive income.

For the purpose of the consolidated statement of cash flows, cash flows of subsidiaries operating other than Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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 at the date of the consolidated financial statements. Estimates and assumptions are periodically evaluated and are based on the Group's experience and other factors, including expectations of future events. 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 future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas, the associated accounting policy notes and the related qualitative and quantitative discussions are summarised below.

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

3.1 Judgements

(a) 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 development or 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 outputs in saleable form (within specifications)
- Ability to sustain ongoing production of acceptable outputs

When a mine development or construction project moves into the production stage, the capitalisation of certain mine development or 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 or amortisation commences. The production start date is also taken into account in impairment assessments of the Group's non-current assets as discussed below and further detailed in note 11 to the consolidated financial statements.

(b) Stripping costs

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.

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

3.1 Judgements *(Continued)*

(b) Stripping costs *(Continued)*

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). Refer to note 2.4 to the consolidated financial statements for more information.

3.2 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 or in the related accounting policy notes. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Differences between actual and expected results may be material. Such changes are reflected in the assumptions when they occur.

(a) Impairment assessments of non-current assets and fair value measurement

The Group assesses each cash-generating unit ("CGU") at least 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 value in use and its fair value less costs of disposal. The carrying value of the non-current assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment assessments (the value in use calculations) require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, mine reserves (see below) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the CGUs. In such circumstances, some or all of the carrying amount of the CGUs may be further impaired or the impairment charge of which may be reduced with the impact recognised in profit or loss.

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

3.2 Estimation uncertainty *(Continued)*

(a) Impairment assessments of non-current assets and fair value measurement *(Continued)*

When the fair values of non-financial assets (the CGUs) need to be determined, e.g., for the purposes of calculating fair value less costs of disposal for impairment testing purposes, fair values are measured using valuation techniques including analytical trending method and the observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value is the estimated 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. Further information on how fair value is determined by the Group is contained in note 11 to the consolidated financial statements. The net carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments as at 31 December 2016 were RMB270,267,000 (2015: RMB710,408,000), RMB938,000 (2015: RMB49,938,000) and RMB1,348,000 (2015: RMB3,408,000), respectively. Further details of these assets and related impairment assessment results are given in notes 11, 12, and 13 to the consolidated financial statements.

(b) 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 charges calculated on the UOP basis and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves (if any) are also taken into account in impairment assessments of the Group's non-current assets as detailed in note 11 to the consolidated financial statements.

(c) 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. The carrying amount of property, plant and equipment as at 31 December 2016 was RMB270,267,000 (2015: RMB710,408,000) as detailed in note 11 to the consolidated financial statements.

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

3.2 Estimation uncertainty *(Continued)*

(d) Impairment assessments of receivables, deposits and prepayments

Impairment assessments of receivables, deposits and prepayments are estimated based on the recoverability of balances from respective customers or debtors on an individual or collective basis, which involve significant judgements and estimates. An estimate for doubtful debt is made when collection of the full amount is no longer probable, as supported by evidence available and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimate, such differences will affect the carrying amount of receivables, deposits and prepayments and thus the impairment loss in the period in which such estimate is changed. The net carrying amount of the trade and bills receivables and prepayments, deposit and other receivables as at 31 December 2016 were RMB38,331,000 (2015: RMB3,142,000) and RMB32,807,000 (2015: 40,786,000) respectively, details of which are included in notes 15 and 16 to the consolidated financial statements.

(e) Net realisable value of inventories

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated cost to be incurred to complete the production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys. The carrying amount of inventories as at 31 December 2016 was RMB9,193,000, (2015: RMB13,916,000), details of which are included in note 14 to the consolidated financial statements.

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 and value of services rendered.

An analysis of revenue is as follows:

	2016 RMB'000	2015 RMB'000
Trading business	**79,641**	–
Sale of stone products	**4,753**	3,421
Car-park business	**190**	–
	84,584	3,421

Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

Iron Concentrates	–	mining, processing and sale of iron concentrates
Gabbro-Diabase and Stone	–	mining, processing and sale of gabbro-diabase and stone products
Trading Business	–	supply and trading of iron ores, steel products, other commodities and construction materials
Car-Park Business	–	own, operate and manage car-parking spaces

4. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

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.

	Iron Concentrates RMB'000	Gabbro-Diabase and Stone RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Year end 31 December 2016					
Segment Revenue:					
Sales to external customers	–	4,753	79,641	190	84,584
Segment Results	(405,056)	(118,389)	155	(237)	(523,527)
Reconciliation:					
Interest income					11,154
Corporate and other unallocated expense					(23,493)
Interest expenses					(7,645)
Loss before tax					(543,511)
Segment assets	270,597	15,928	43,060	782	330,367
Corporate and other unallocated assets					425,320
Total assets					755,687
Segment liabilities	34,172	38,975	–	2,279	75,426
Corporate and other unallocated liabilities					246,767
Total liabilities					322,193

4. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrates RMB'000	Gabbro-Diabase and Stone RMB'000	Trading Business RMB'000	Car-Park Business RMB'000	Total RMB'000
Year end 31 December 2016 *(Continued)*					
Other segment information:					
Impairment loss on property, plant and equipment	372,934	50,615	–	–	423,549
Impairment loss on intangible assets	1,363	47,427	–	–	48,790
Impairment loss on prepaid land lease payments	1,959	–	–	–	1,959
Impairment of trade receivables	–	313	–	–	313
Impairment loss on prepayments	12,987	–	–	–	12,987
Write-off of items of property, plant and equipment	690	4	–	–	694
Write-off of inventories	–	749	–	–	749
Write-down of inventories to net realisable value	1,742	4,249	–	–	5,991
Depreciation and amortisation	7,997	2,824	–	4	10,825
Corporate and other unallocated depreciation					216
					11,041
Capital expenditure	1,234	1,886	–	143	3,263
Corporate and other unallocated capital expenditure					233
					3,496

4. Revenue and Segment Information *(Continued)*

Operating Segment Information *(Continued)*

	Iron Concentrates RMB'000	Gabbro-Diabase and Stone RMB'000	Total RMB'000
Year end 31 December 2015			
Segment Revenue:			
Sales to external customers	–	3,421	3,421
Segment Results	(7,337)	(8,387)	(15,724)
Reconciliation:			
Interest income			21,272
Corporate and other unallocated expense			(42,230)
Interest expenses			(8,962)
Loss before tax			(45,644)
Segment assets	675,710	118,977	794,687
Corporate and other unallocated assets			557,043
Total assets			1,351,730
Segment liabilities	39,073	32,350	71,423
Corporate and other unallocated liabilities			303,302
Total liabilities			374,725
Other segment information:			
Write-down of inventories to net realisable value	–	1,073	1,073
Depreciation and amortisation	7,337	2,651	9,988
Corporate and other unallocated depreciation			537
			10,525
Capital expenditure	–	6,717	6,717
Corporate and other unallocated capital expenditure			219
			6,936

4. Revenue and Segment Information *(Continued)*

Geographical segment

(a) Revenue from external customers

	2016 RMB'000	2015 RMB'000
Mainland China	**46,070**	3,421
Asia	**38,324**	–
Hong Kong	**190**	–
	84,584	3,421

(b) Non-current assets

The majority of the Group's non-current assets are located in the PRC in both years.

Information about major customers

During the year ended 31 December 2016, there were two customers from the Trading Business segment from whom the revenue was exceeded 10% of the Group's revenue, representing revenue of RMB41,318,000 and RMB38,323,000 respectively (2015: two customers from Gabbro-Diabase and Stone segment of RMB2,653,000 and RMB414,000 respectively).

5. Loss Before Tax

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

	Notes	**2016 RMB'000**	2015 RMB'000
Cost of inventories sold		**83,913**	2,139
Cost of services provided		**265**	–
Depreciation of items of property, plant and equipment	11	**10,730**	10,363
Amortisation of intangible assets	12	**210**	61
Amortisation of prepaid land lease payments	13	**101**	101
Impairment of trade receivables	15	**313**	–
Write-down of inventories to net realisable value		**5,991**	1,073
Write-off of items of property, plant and equipment		**694**	–
Write-off of inventories		**749**	–
Interest on construction sum payable arising from the litigation		**4,761**	–
Minimum lease payments under operating leases for office tenancy		**1,182**	1,066
Auditors' remuneration (including out-of-pocket expenses)		**1,800**	1,634
Employee benefit expense (excluding directors' remuneration (note 7))			
– Wages, salaries and allowances		**9,614**	12,038
– Pension scheme contributions		**489**	429

6. Finance Income/(Expense)

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

	2016 RMB'000	2015 RMB'000
Interest income	**11,154**	21,272
Interest on bank borrowings	**(6,590)**	(7,641)
Other borrowing costs	**(1,055)**	(1,321)
Net foreign exchange gains/(losses)	**886**	(18,727)
Bank charges	**(4)**	(181)
Finance income/(expense), net	**4,391**	(6,598)

7. Emoluments of Directors and Senior Management

Details of the remuneration of directors, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**1,430**	1,182
Other emoluments:		
Salaries, allowances and benefits in kind	**2,656**	2,619
Discretionary bonuses	**664**	549
Pension scheme contributions	**15**	11
	3,335	3,179
	4,765	4,361

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 2016 and 2015 were as follows:

2016	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Li Changfa	–	1,279	320	–	1,599
Mr. Luk Yue Kan	–	1,377	344	15	1,736
	–	2,656	664	15	3,335
Non-executive directors:					
Dr. Cheng Kar Shun	247	–	–	–	247
Mr. Hui Hon Chung (1)	197	–	–	–	197
Mr. Cheng Chi Ming, Brian (2)	197	–	–	–	197
Mr. Wu Wai Leung, Danny	197	–	–	–	197
Mr. Lam Wai Hon, Patrick (3)	1	–	–	–	1
	839	–	–	–	839
Total	839	2,656	664	15	4,174

(1) Appointed on 2 January 2016 and resigned on 23 January 2017

(2) Resigned on 23 January 2017

(3) Resigned on 2 January 2016

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

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

2015	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonus RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors:					
Mr. Li Changfa	–	1,163	291	–	1,454
Mr. Luk Yue Kan [(4)]	–	933	258	11	1,202
Mr. Jiao Ying [(5)]	–	523	–	–	523
	–	2,619	549	11	3,179
Non-executive directors:					
Dr. Cheng Kar Shun	222	–	–	–	222
Mr. Lam Wai Hon, Patrick	178	–	–	–	178
Mr. Cheng Chi Ming, Brain	178	–	–	–	178
Mr. Wu Wai Leung, Danny [(6)]	110	–	–	–	110
	688	–	–	–	688
Total	688	2,619	549	11	3,867

[(4)] Appointed on 1 April 2015

[(5)] Resigned on 1 April 2015

[(6)] Retired as an independent non-executive director at the conclusion of the 2015 annual general meeting on 21 May 2015 ("2015 AGM") and appointed as a non-executive director after the conclusion of the 2015 AGM

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

(b) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2016 and 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Mr. Tsui King Fai	**197**	178
Mr. Lee Kwan Hung	**197**	178
Mr. Shin Yick, Fabian [1]	**197**	70
Mr. Wu Wai Leung, Danny [2]	**–**	68
	591	494

(1) Appointed on 14 August 2015

(2) Retired as an independent non-executive director at the conclusion of the 2015 AGM and appointed as a non-executive director after the conclusion of the 2015 AGM

(c) Five highest paid individuals

The five highest paid individuals during the year included two (2015: two) directors, details of whose remuneration are set out in note 7(a) above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**1,922**	1,940
Discretionary bonus	**158**	110
Pension scheme contributions	**31**	32
	2,111	2,082

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)	
	2016	2015
	RMB'000	RMB'000
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
	3	3

During the year ended 31 December 2016, no emoluments were paid by the Group to any of the persons who are or were 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, as a director of any member of the Group or of any other office in connection with the management of affairs of any member of the Group.

(d) Emoluments of senior management

The emoluments of the senior management whose profiles are included in the section headed "Directors' and Senior Management's Profile" of this annual report are already disclosed as the emoluments of directors in note 7(a) above.

For the prior year, the emoluments of the senior management 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 2016 and 2015.

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 2016 and 2015.

8. Income Tax *(Continued)*

	2016 RMB'000	2015 RMB'000
Current tax – Mainland China		
Charge for the year	**–**	–

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:

	2016 RMB'000	**2016 %**	2015 RMB'000	2015 %
Loss before tax	**(543,511)**		(45,644)	
Tax at the statutory tax rate	**(135,878)**	**25**	(11,411)	25
Effect of different taxation rate in other jurisdiction	**790**	**–**	1,392	(3)
Income not subject to tax	**(1,984)**	**–**	(3,514)	7
Expenses not deductible for tax	**1,619**	**–**	6,537	(14)
Tax effect of deductible temporary differences not recognised	**123,397**	**(23)**	–	–
Tax losses not recognised	**12,056**	**(2)**	6,996	(15)
Tax charge at the Group's effective rate	**–**	**–**	–	–

The Group has unrecognised tax losses arising from entity operating in Mainland China of RMB155,456,000 (2015: RMB102,391,000) that will expire in five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences 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. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: Nil).

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

The calculation of basic loss per share amount 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 2016 and 2015.

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

	2016	2015
	RMB'000	RMB'000
Loss		
Loss attributable to owners of the Company, used in the basic and diluted loss per share calculation	**(538,055)**	(45,351)
	'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

There was no potentially dilutive ordinary shares in issue during the year ended 31 December 2016. The share options granted under the share option scheme of the Company adopted on 25 January 2011, which had either expired or been forfeited in 2015, had an anti-dilutive effect on the basic loss per share amount for the year ended 31 December 2015 and was ignored in the calculation of diluted loss per share for that year.

11. Property, Plant and Equipment

	Buildings RMB'000	Motor vehicles, fixtures and others RMB'000	Machinery RMB'000	Mining infrastructure RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2015	62,239	5,724	98,447	164,347	408,252	739,009
Additions	–	212	678	17	6,029	6,936
Transfer in/(out)	–	–	5,365	211	(5,576)	–
At 31 December 2015 and 1 January 2016	**62,239**	**5,936**	**104,490**	**164,575**	**408,705**	**745,945**
Additions	**–**	**162**	**7**	**–**	**3,327**	**3,496**
Write-off (Note a)	**–**	**–**	**(116)**	**(34)**	**(9,249)**	**(9,399)**
At 31 December 2016	**62,239**	**6,098**	**104,381**	**164,541**	**402,783**	**740,042**
Accumulated depreciation and impairment:						
At 1 January 2015	(4,293)	(2,281)	(16,012)	(2,588)	–	(25,174)
Provided for the year	(2,952)	(835)	(6,538)	(38)	–	(10,363)
At 31 December 2015 and 1 January 2016	**(7,245)**	**(3,116)**	**(22,550)**	**(2,626)**	**–**	**(35,537)**
Provided for the year	**(2,952)**	**(725)**	**(7,053)**	**–**	**–**	**(10,730)**
Impairment recognised during the year (Note b)	**(30,901)**	**(310)**	**(45,508)**	**(95,950)**	**(250,880)**	**(423,549)**
Write-off (Note a)	**–**	**–**	**34**	**7**	**–**	**41**
At 31 December 2016	**(41,098)**	**(4,151)**	**(75,077)**	**(98,569)**	**(250,880)**	**(469,775)**
Net carrying amount:						
At 31 December 2016	**21,141**	**1,947**	**29,304**	**65,972**	**151,903**	**270,267**
At 31 December 2015	54,994	2,820	81,940	161,949	408,705	710,408

(a) During the year, the Group has adjusted items of property, plant and equipment of RMB9,358,000 mainly regarding the write-back of construction sum payable on several constructions upon the judgements in relation to the litigation become final and binding, details of which are included in note 31 to the consolidated financial statements.

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

(b) Impairment assessments in 2016

In accordance with the Group's accounting policies, each asset or cash-generating unit ("CGU") is evaluated at least annually at the end of each reporting period, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

For the purposes of impairment assessments, the Group's non-current assets are mainly located at the Yanjiazhuang Mine and divided among the iron concentrate CGU (also known as the iron concentrate business segment) and the gabbro-diabase and stone CGU (also known as the gabbro-diabase and stone business segment), which are treated as two separate CGUs.

Iron concentrate CGU:

During the year ended 31 December 2016, the Group's original target to resume the trial production of the iron concentrate business at the Yanjiazhuang Mine had to be further postponed as principally affected by the Disaster (as defined below) happened in July 2016, which caused Xingye to face new demands from local villages associated with the Disaster. On the other hand, local issues and nuisance surrounding the Yanjiazhuang Mine have not been fully resolved. In order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye devised a preliminary proposal during the year 2016 that, by allowing the local villagers to participate in Xingye's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the performance of the iron concentrate business (when resumed). Such proposal is however still subject to finalisation, and will inevitably lead to the possible reduction in profitability of the iron concentrate business in the long run. In view of these, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment, intangible assets and prepaid land lease payments of the iron concentrate CGU at 31 December 2016.

In assessing whether an impairment is required, the carrying value of the assets of iron concentrate CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal and its value in use ("VIU"). The recoverable amounts of iron concentrate CGU were estimated based on its VIU as determined by discounting the future cash flows to be generated from the continuing use of this CGU, rather than its fair value less costs of disposal which could not capture its future earning potential, and with reference to the valuation report issued by independent professionally qualified valuers. There was no change in the valuation method adopted in 2016 as compared with that in 2015. The recoverable amounts of iron concentrate CGU were determined based on a VIU calculation using cash flow projections according to financial budgets covering a five-year period approved by management with pre-tax discount rate of approximately 21% (2015: approximately 19%). The CGU cash flows beyond the five year period are extrapolated using a 2% (2015: 2%) growth rate, which was the expected inflation rate, until the depletion of estimated proved and probable ore reserves. Other key assumptions used in the estimation of VIU for the iron concentrate CGU are summarised as follows:

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

(b) Impairment assessments in 2016 *(Continued)*

Iron concentrate CGU: *(Continued)*

Recoverable reserves – Economic recoverable reserves represent Xingye management's expectations at the time of impairment testing, which comprise estimated proved and probable ore reserves of approximately 260 million tonnes ("Mt") (2015: approximately 260Mt) based on independent technical report of the Yanjiazhuang Mine dated 21 June 2011 (the "ITR"). In addition, the mining permit in respect of the Yanjiazhuang Mine will expire in July 2017. The management of Xingye has started to look into its renewal arrangements and is planning to initiate the renewal application in the coming months. Consultation has been made with PRC legal advisers and the relevant authorities on the steps and approvals required from the relevant authorities for such renewal. However, as the mining operation at the Yanjiazhuang Mine has been suspended for a certain period of time, the management anticipates that Xingye would encounter complications and difficulties during the renewal process, and need more efforts and time to communicate with the relevant authorities and to complete the renewal process. Xingye will also endeavor to identify the alternatives that could help on the renewal of the mining permit so as to give impetus to the upcoming application progress. Therefore, the estimated cash flow projections have been extended to future periods until the depletion of estimated proved and probable ore reserves.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins of the first five-year period in the range of 25% to 30% (2015: 25% to 30%) are based on the industry average gross margin achieved, adjusted for Xingye management's expectations for possible changes in the production costs and estimated market prices. The budgeted gross margins beyond the five year period are based on estimated long term sales price of iron concentrates as reference to relevant market and/or analyst researches in the range of approximately RMB600 per tonne (2015: approximately RMB700 per tonne) and unit production cost of about 60% of sales (2015: about 40% of sales) according to ITR recommendation with inflation adjustment. In addition to the above, in order to foster the local villagers to resolve the local matters in an agreeable manner, the management of Xingye devised a preliminary proposal during the year 2016 that, by allowing the local villagers to participate in Xingye's mining operations at the Yanjiazhuang Mine, the local villagers could be awarded based on the sales performance of the iron concentrate business (when resumed). Such proposal, when crystallised, represents the additional costs to the Yanjiazhuang Mine and inevitably leads to the possible reduction in profitability of the iron concentrate CGU in the long run and turn into a significant impairment in the recoverable amounts of the iron concentrate CGU. Such proposal is however still subject to more negotiations with the local village representatives as well as the local authorities, and finalisation and also to the renewal of the mining permit of the Yanjiazhuang Mine. The award to the local villagers were included in the impairment testing as additional costs.

Production volumes and production start date – Estimated production volumes of the first five-year period of approximately 2.6Mt (2015: approximately 2.6Mt), in aggregate, and production start date (which has been further postponed due to the Disaster during the year 2016) are based on the detailed mine plans and take into account development plans of the Yanjiazhuang Mine agreed by Xingye management. The production volumes beyond the five year period largely follow the ITR.

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

(b) Impairment assessments in 2016 *(Continued)*

Iron concentrate CGU: *(Continued)*

Discount rate – The discount rate used is pre-tax and reflects specific risks associated with the Group and/or its business under review and takes into account the industry's capital structure and applicable market borrowing costs at the time of impairment test. The applicable discount rate increased to approximately 21% in 2016 (2015: approximately 19%) so as to reflect the increase in market risk premium in Mainland China.

The values assigned to key assumptions are consistent with external information sources, where appropriate.

Gabbro-diabase and stone CGU:

For the gabbro-diabase and stone business of the Group, in the first half of 2016, Xingye received a notice from the local Environment Protection Authority (the "EPA") that it was required to upgrade the environmental protection measures of the production facilities of crushed stone and railway ballast at the Yanjiazhuang Mine (the "Environmental Upgrade"). The management of Xingye had then been formulating a preliminary plan for the Environmental Upgrade. However, inclement weather that took place in Hebei Province, the PRC in late July 2016 caused floods and landslides in the region, and resulted in economic losses and disruption (collectively the "Disaster"), and in turn new demands from the local villagers to Xingye. Such new demands entail additional time for the management of Xingye to negotiate and discuss with the local villagers with a view to settling or satisfying such demands. As such, the originally planned Environmental Upgrade has to be postponed.

Having regard to the temporary suspension of production pending for the Environmental Upgrade and abovementioned postponement in Environmental Upgrade at the Yanjiazhuang Mine, management has performed an impairment assessment on the carrying amounts of the Group's property, plant and equipment and intangible assets of the gabbro-diabase and stone CGU at 31 December 2016.

In assessing whether an impairment is required, the carrying value of the assets of gabbro-diabase and stone CGU is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and its VIU. Attributed to the absence of reliably estimated cash flow projections in view of the Disaster and the temporary suspension of production of the gabbro-diabase and stone business in 2016, a formal estimate of the recoverable amount is performed and the recoverable value of gabbro-diabase and stone CGU was determined based on fair value less costs of disposal, and with reference to the valuation report issued by independent professionally qualified valuers.

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

(b) Impairment assessments in 2016 *(Continued)*

Fair values are measured using valuation techniques including analytical trending method and analysis of observable market inputs from recognised sources or prices (or the replacement costs) of similar or comparable assets from a secondary market with adjustments for inflation (with reference to the relevant producer price index), useful life calculation, deterioration, obsolescence, marketability and other relevant factors. Fair value represents the estimated 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 of gabbro-diabase and stone CGU was categorised under level 3 fair value hierarchy. The significant unobservable inputs used to determine fair value for 2016 were (i) the marketability, (ii) the useful life calculation and (iii) the residual value.

Based on the abovementioned impairment assessments, the recoverable amounts, carrying amounts and impairment provision of the iron concentrate CGU and the gabbro-diabase and stone CGU as at 31 December 2016 are as follows:

	Recoverable amount RMB'000	**Carrying amount** RMB'000	**Impairment provision** RMB'000
Iron concentrate CGU	259,000	635,256	376,256
Gabbro-diabase and stone CGU	5,599	103,641	98,042

The impairment provision on iron concentrate CGU and gabbro-diabase and stone CGU as at 31 December 2016 resulted in impairment on the following assets:

Impairment loss recognised on property, plant and equipment

An impairment loss of RMB423,549,000 was recognised during the year to write down the carrying amounts of the property, plant and equipment of iron concentrate CGU and gabbro-diabase and stone CGU to their respective recoverable amounts of RMB256,714,000 and RMB5,599,000 respectively as at 31 December 2016.

Impairment loss recognised on intangible assets

An impairment loss of RMB48,790,000 (note 12) was recognised during the year to write down the carrying amounts of the mining right of iron concentrate CGU and gabbro-diabase and stone CGU to their respective recoverable amounts of RMB938,000 and nil respectively as at 31 December 2016.

Impairment loss recognised on prepaid land lease payments

An impairment loss of RMB1,959,000 (note 13) was recognised during the year to write down the carrying amount of the prepaid land lease payments of iron concentrate CGU to its recoverable amount of RMB1,348,000 as at 31 December 2016.

12. 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.

	2016 **RMB'000**	2015 RMB'000
Cost:		
At beginning of year and end of the year	**50,088**	50,088
Accumulated amortisation and impairment:		
At beginning of the year	**(150)**	(89)
Amortisation during the year	**(210)**	(61)
Impairment recognised for the year (Note 11)	**(48,790)**	–
At end of the year	**(49,150)**	(150)
Net carrying amount:		
At end of the year	**938**	49,938

At 31 December 2016, the impairment provision of RMB48,790,000 (2015: Nil) was made for certain of the intangible assets, details of which are included in note 11 to the consolidated financial statements.

13. Prepaid Land Lease Payments

	2016 **RMB'000**	2015 RMB'000
Carrying amount at 1 January	**3,408**	3,509
Recognised during the year	**(101)**	(101)
Impairment recognised for the year (Note 11)	**(1,959)**	–
Carrying amount at 31 December	**1,348**	3,408
Current portion included in prepayments, deposits and other receivables	**(41)**	(101)
Non-current portion	**1,307**	3,307

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.

At 31 December 2016, the impairment provision of RMB1,959,000 (2015: Nil) was made for the prepaid land lease payments, details of which are included in note 11 to the consolidated financial statements.

14. Inventories

The Group's inventories are carried at cost or net realisable value.

	2016 RMB'000	2015 RMB'000
Raw material and spare parts	**3,706**	3,927
Semi-finished products	**3,751**	5,707
Finished products – Gabbro-Diabase and Stone	**9,607**	6,162
	17,064	15,796
Inventory provision	**(7,871)**	(1,880)
	9,193	13,916

15. Trade and bills receivables

	2016 RMB'000	2015 RMB'000
Trade receivable	**313**	3,142
Bills receivable	**38,331**	–
	38,644	3,142
Less: Impairment	**(313)**	–
Total	**38,331**	3,142

The Group's trading terms with its customers generally require letters of credit or deposits in advance, except for creditworthy customers to whom credits are granted. The credit period is generally ranging from seven days to six months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by the management. The Group has not held any collateral or other credit enhancements over its trade receivable balance. Trade receivable is non-interest-bearing.

15. Trade and bills receivables *(Continued)*

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 **RMB'000**	2015 RMB'000
Within 1 month	**38,331**	–
1 to 3 months	**–**	3,142
Total	**38,331**	3,142

The movements in provision for impairment of trade receivables are as follows:

	2016 **RMB'000**	2015 RMB'000
At beginning of year	**–**	–
Impairment loss recognised (Note 5)	**313**	–
At end of year	**313**	–

Included in the above provision for impairment of trade receivables is a full provision for individually impaired trade receivable of RMB313,000 (2015: Nil).

16. Prepayments, Deposits and Other Receivables

	2016 RMB'000	2015 RMB'000
Advances to suppliers	**26,479**	21,921
Other tax receivables	**12,705**	12,799
Deposits	**3,740**	2,983
Bank interest receivables	**589**	888
Prepaid land lease payments, current portion	**41**	101
Others	**2,240**	2,094
	45,794	40,786
Impairment of prepayments	**(12,987)**	–
	32,807	40,786

The above impairment of prepayments represented full provision for certain individually impaired prepayments (2015: Nil).

These individually impaired prepayments to suppliers that have been long outstanding with delays in delivery and thus considered to be irrecoverable.

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

17. Cash and Bank Balances

	2016 RMB'000	2015 RMB'000
Cash and bank balances	**77,125**	14,388
Time deposits	**325,719**	515,845
	402,844	530,233
Less: Restricted bank balances (note 31)	**(1,466)**	(1,192)
Cash and cash equivalents	**401,378**	529,041

Cash and bank balances are denominated in RMB as at 31 December 2016 and 2015, except for the following:

(RMB equivalent)	2016 RMB'000	2015 RMB'000
Cash and bank balances denominated in:		
US$	**64,701**	49
HK$	**233,628**	6,222
	298,329	6,271

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.

18. Trade Payables

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

	2016 RMB'000	2015 RMB'000
Within 6 months	**124**	4,165
6 months to 1 year	**1,426**	6
Over 1 year	**1,132**	174
	2,682	4,345

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

19. Other Payables and Accruals

	2016 RMB'000	2015 RMB'000
Payables to suppliers or contractors for the addition of items of property, plant and equipment (Note a)	**25,420**	33,267
Gabbro-diabase resources fee payable, current portion (Note b)	**21,480**	14,320
Accrued interest expenses	**5,746**	4,707
Due to related parties (Note 27(b))	**2,250**	–
Other payables	**32,856**	17,940
Total	**87,752**	70,234

(a) During the year, the Group has written-back the construction sum payable of RMB6,084,000 on several constructions upon the judgements in relation to litigation become final and binding, details of which are included in note 31 to the consolidated financial statements.

(b) In respect of the mining permit for gabbro-diabase at the Yanjiazhuang Mine, the fourth and the fifth instalments of the gabbro-diabase resources fee payable, which amounted to RMB14.3 million, in aggregate, together with the associated cost of funds, was already due for settlement in August 2015 and 2016 respectively but remained unpaid. In view of the unfavourable economic and market outlook, the management has been in communication with the relevant government authorities for more favourable payment terms, which include the extension of payment schedule for the remaining resources fee payable. However, the negotiations have yet to turn into any attainment.

Except for the current portion of gabbro-diabase resources fee payable and the construction sum payable that related to the litigation (Note 31), which bear interest at floating rates linked to the RMB loan prime rate, other payables are unsecured and non-interest-bearing.

20. Interest-bearing Bank Borrowings

	2016		2015	
	Effective interest rate (%)	**RMB'000**	Effective interest rate (%)	RMB'000
Current				
Bank borrowings unsecured and repayable on demand	**2.5**	**223,625**	2.11-3.60	284,852

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.

21. Long-term Payables

	2016 RMB'000	2015 RMB'000
Gabbro-diabase resources fee payable	**–**	7,160
Compensation payables to farmers	**500**	500
	500	7,660

22. Share Capital

Shares

	2016 HK$'000	2015 HK$'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

23. Reserves

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 68 of the consolidated financial statements.

24. Share Option Scheme

2010 share option scheme

The Company 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 of the Company's shares (the "Listing") on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 4 July 2011 (the "Listing Date") and, unless otherwise cancelled or amended, will remain in force for 10 years from the Listing Date.

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 unless otherwise approved by the shareholders of the Company in general meeting. 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.

24. Share Option Scheme *(Continued)*

2010 share option scheme *(Continued)*

During the year ended 31 December 2016, 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.

25. Operating Lease Arrangements

As lessee

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

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **RMB'000**	2015 RMB'000
Within one year	**3,523**	897
In the second to fifth years, inclusive	**4,897**	–
	8,420	897

26. Commitments

In addition to the operating lease commitments detailed in note 25 above, the Group had the following capital commitments at the end of the reporting period:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
– Property, plant and equipment	**39,257**	61,598

27. Related Party Transactions

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

(a) Related party transactions

	2016 RMB'000	2015 RMB'000
Leasing of office premises from a subsidiary of a substantial shareholder of the Company		
New World Tower Company Limited	**882**	776
Information technology management and support service fees paid to a subsidiary of a substantial shareholder of the Company		
CiF Solutions Ltd	**189**	177

(b) Outstanding balances with related parties

The Group had outstanding balances due to subsidiaries of a substantial shareholder of the Company of RMB2,250,000 (2015: Nil) as at the end of the reporting period. These balances are unsecured, interest-free and has no fixed terms of repayment.

(c) 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.

28. 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:

	2016 RMB'000	2015 RMB'000
Financial assets – Loans and receivables		
Trade and bills receivables	**38,331**	3,142
Financial assets included in prepayments, deposits and other receivables	**6,569**	5,965
Cash and bank balances	**402,844**	530,233
	447,744	539,340
Financial liabilities – at amortised cost		
Trade payables	**2,682**	4,345
Financial liabilities included in other payables and accruals	**78,539**	70,234
Interest-bearing bank borrowings	**223,625**	284,852
Long-term payables	**500**	7,660
	305,346	367,091

29. Fair Value and Fair Value Hierarchy of Financial Instruments

Management has assessed that the fair values of cash and bank balances, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, 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.

30. Financial Risk Management Objectives and Policies

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

The main risks that could adversely affect 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 and agrees policies for managing each of 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 payables with floating interest rates.

At present, the Group does not intend to hedge its exposure to interest rate fluctuations. However, the Group will closely observe the movements in market interest rates and its interest rate risk profile, and will consider any rearrangement of its sources of financing and 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 RMB733,000 for the year ended 31 December 2016 (2015: RMB837,000).

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

Foreign currency risk

The Group's functional currency is RMB as its operating assets are primarily located in the PRC with transactions settled in RMB. During the year ended 31 December 2016, the Group has commenced the trading business and car-park business, with transactions settled in USD and HKD respectively, while the bank borrowings of the Group are denominated in HKD. In light of the depreciation and fluctuation of RMB against HKD and other currencies since August 2015, the Group has increased its balance of HKD-denominated deposits to mitigate the currency exposure arising from the HKD-denominated bank borrowings and the repayment of certain HKD-denominated bank borrowings during the year. As a result, the Group recorded a net foreign exchange gain of approximately RMB0.9 million in the year ended 31 December 2016, as compared to a net foreign exchange loss of approximately RMB18.7 million in the year ended 31 December 2015 as a result of the unfavourable exchange movements in RMB against other currencies in that year. In view of the diversification of the Group's business during the year, the management will closely observe the movements in RMB exchange rates and market interest rates and consider any rearrangement of its sources of financing and deposit portfolio where appropriate.

During the year ended 31 December 2016, the Group has transactional currency exposures. Such exposures arose from the sales and purchases of products by operating units in currencies other than the Group's functional currencies. Approximately 94% (2015: Nil) and 98% (2015: Nil) of the Group's sales and purchases, respectively, were denominated in foreign currency (the USD).

Currently, the Group does not have a foreign currency hedging policy.

With all other variables held constant, a change in exchange rate of RMB against HKD and USD of 5% per annum would cause a corresponding change In the Group's loss before tax and accumulated losses by RMB3,731,000 for the year ended 31 December 2016 (2015: RMB13,932,000).

Credit risk

The Group's trading terms with its customers generally requires letters of credit or deposits received in advance, except for creditworthy customers to whom credits are granted. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has not held any collateral or other credit enhancements over its trade receivable balance.

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.

At the end of the reporting period, the Group was exposed to a concentration of credit risk as its trade and bills receivables was primarily due from the Group's five largest customers (2015: due from the Group's largest customer). Further disclosure in respect of the Group's exposure to credit risk arising from trade and bills receivables is set out in note 15 to the consolidated financial statements.

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

Liquidity risk

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing 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.

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

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
2016					
Trade payables	**1,132**	**1,550**	**–**	**–**	**2,682**
Other payables and accruals	**–**	**78,539**	**–**	**–**	**78,539**
Interest-bearing bank borrowings	**223,625**	**–**	**–**	**–**	**223,625**
Long-term payables	**–**	**–**	**–**	**500**	**500**
	224,757	**80,089**	**–**	**500**	**305,346**
2015					
Trade payables	174	4,171	–	–	4,345
Other payables and accruals	–	70,234	–	–	70,234
Interest-bearing bank borrowings	284,852	–	–	–	284,852
Long-term payables	–	–	7,160	500	7,660
	285,026	74,405	7,160	500	367,091

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 2016 and 2015.

31. Legal Matters Update

Since March 2013, a subsidiary of the Company (the "Defendant") was involved in litigation as a defendant regarding construction sum payable arising out of the ordinary course of business (the "Litigation"). After trial, judgement (the "Trial Judgement") was issued by the Higher People's Court of Hebei in March 2016 in relation to the Litigation, and the Defendant made an appeal against the Trial Judgement in April 2016 to the Supreme People's Court of the PRC. In mid-August 2016, the Supreme People's Court of the PRC issued its judgement (the "Appeal Judgement"). Such Appeal Judgement was served on the Defendant in late August 2016. Pursuant to the Appeal Judgement, the Supreme People's Court of the PRC upheld the Trial Judgement, and ruled that, among others:

(a) the Defendant shall pay to the Plaintiff the outstanding construction fees of about RMB16.4 million, and the interest accrued on the outstanding construction fees up to the date on which the payment is made in full, at the then prevailing interest rates as announced by the People's Bank of China for the comparable loans;

(b) the Defendant shall bear the litigation costs and expenses of about RMB0.9 million in aggregate; and

(c) the Defendant's counterclaim was dismissed.

Following the delivery of the Appeal Judgment, the plaintiff has been taking legal steps to recover the outstanding construction fees and related costs and interests (the "Judgment Sum") from the Defendant. As a result, some of the machineries and equipment of the Defendant had been freezed by the local court so that they may not be transferred, pledged or disposed of pending settlement of the Judgement Sum. Certain bank balances of approximately RMB1.3 million of the Defendant have also been withdrawn by a local court as partial settlement to the plaintiff during the year, and the usage of certain bank balances of RMB1.5 million (note 17 to the consolidated financial statements) of the Defendant is subject to restrictions. The Defendant has been in close contact with the plaintiff and the local court to ascertain the settlement plan of the remaining Judgement Sum payable to the plaintiff.

The Judgement Sum (including the outstanding construction fee payable of about RMB16.4 million) had already been fully recognised as the Group's other payables and accruals (note 19 to the consolidated financial statements) in its audited consolidated financial statements for the year ended 31 December 2016.

Subsequent to the end of Reporting Period, in March 2017, certain machineries and equipment of the Defendant, with net carrying value amounting to approximately RMB8.9 million as at 31 December 2016, has been freezed by the local court pursuant to the Trial and Appeal Judgements.

32. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
Non-current assets		
Property, plant and equipment	114	195
Investments in subsidiaries	–	36,665
	114	36,860
Current assets		
Due from subsidiaries	509,419	990,620
Prepayments, deposits and other receivables	1,313	1,412
Cash and bank balances	331,984	432,699
	842,716	1,424,731
Current liabilities		
Due to subsidiaries	171,735	93,686
Other payables and accruals	5,731	5,063
Interest-bearing bank borrowings	223,625	284,852
Income tax payable	3,003	3,003
	404,094	386,604
Net current assets	438,622	1,038,127
Total assets less current liabilities	438,736	1,074,987
Net assets	438,736	1,074,987
Equity		
Share capital	331,960	331,960
Reserves (note)	106,776	743,027
Total equity	438,736	1,074,987

Li Changfa
Director

Luk Yue Kan
Director

32. Statement of Financial Position of the Company *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	719,871	77,163	9,220	(41,428)	764,826
Loss for the year	–	–	–	(21,799)	(21,799)
Other comprehensive income for the year	–	–	–	–	–
Total comprehensive loss for the year	–	–	–	(21,799)	(21,799)
Transfer of share option reserve upon the expiry of the share options	–	–	(9,220)	9,220	–
At 31 December 2015 and 1 January 2016	**719,871**	**77,163**	**–**	**(54,007)**	**743,027**
Loss for the year	**–**	**–**	**–**	**(636,251)**	**(636,251)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(636,251)**	**(636,251)**
At 31 December 2016	**719,871**	**77,163**	**–**	**(690,258)**	**106,776**

In accordance with the articles of association of the Company and the Companies Law (2016 Revision) of the Cayman Islands, the Company's share premium account is distributable in certain circumstances.

The capital reserves of 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.

33. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2017.

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				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**84,584**	3,421	1,263	2,163	–
Loss before tax	**(543,511)**	(45,644)	(46,020)	(34,902)	(34,536)
Income tax expense	**–**	–	(422)	(1,026)	(1,343)
Loss for the year	**(543,511)**	(45,644)	(46,442)	(35,928)	(35,879)

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**272,512**	763,653	767,242	766,239	778,886
Current assets	**483,175**	588,077	655,062	776,941	839,663
Current liabilities	**(321,693)**	(367,065)	(384,655)	(452,875)	(485,771)
Non-current liabilities	**(500)**	(7,660)	(15,000)	(22,660)	(29,820)
Total equity	**433,494**	977,005	1,022,649	1,067,645	1,102,958
Non-controlling interests	**3,382**	(2,074)	(2,367)	(1,453)	(1,862)
Equity attributable to owners of the Company	**436,876**	974,931	1,020,282	1,066,192	1,101,096

Glossary of Terms

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

"AGM"	an annual general meeting of the Company
"Articles"	the articles of association of the Company
"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, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the main board of the Stock Exchange
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Director(s)"	the director(s) of the Company
"FY 2015" or "Corresponding Prior Period"	the financial year ended 31 December 2015
"FY 2016" or "Reporting Period"	the financial year ended 31 December 2016
"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
"Investment Committee"	the investment committee of the Company
"IPO"	the initial public offering of the Shares which were listed on the main board of the Stock Exchange on 4 July 2011
"Interim Report 2016"	the interim report of the Company for the six-month period ended 30 June 2016
"JORC"	the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the JORC, as amended from time to time
"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
"Memorandum and Articles"	the memorandum and articles of association of the Company

Glossary of Terms

"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
"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, which for the purpose of this report, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Remuneration Committee"	the remuneration committee of the Company
"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$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Shougang Hong Kong"	Shougang Holding (Hong Kong) Limited, a subsidiary of Shougang Corporation, a company incorporated in Hong Kong
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tonne(s)"	equal to 1,000 kilograms
"tpa"	tonne(s) per annum
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America
"Xingye"	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. 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. Mr. Shin Yick, Fabian

Nomination Committee

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

Investment Committee

Mr. Wu Wai Leung, Danny *(Chairman)*
Mr. Luk Yue Kan

Company Secretary

Mr. Luk Yue Kan

Registered Office

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Ugland House
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Cayman Islands

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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
Hong Kong

Corporate Information

Auditors

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Solicitors

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
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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