



# 新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

## Interim Report 2021





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# Chairman's Statement

Dear Shareholders,

The global prospects remain highly uncertain over one year into the COVID-19 pandemic. Despite the challenges and uncertainties in the global economy, the Group had been successfully managing its business operations and achieved an overall improvement in the financial results for the first half of 2021.

During the Reporting Period, the Group recognised revenue from the Resources Business of approximately US\$248.6 million (approximately US\$165.0 million (restated) for the Corresponding Prior Period), representing an increase of about 51%. In addition, notwithstanding the supply constraints faced by the Group, we were able to achieve an increase in gross profit by approximately US\$4.1 million for the Reporting Period, as compared to that of the Corresponding Prior Period.

With the continual support of the Group's customers and suppliers and the persistent efforts of our management and the Business Development Team, our net profit for the Reporting Period slightly improved to approximately US\$1.2 million (approximately US\$1.0 million (restated) for the Corresponding Prior Period).

Looking ahead, there are certain tax and policies initiatives which could have impacts on the business and financial performance of the Group in the second half of 2021, including the low-carbon initiatives of the PRC government, the PRC government's directive to lower steel production and measures to lower the steel and iron ore market prices. These will definitely bring new challenges to the operating environments of the Group and adverse price movements.

Notwithstanding these new challenges and current global uncertainty, we shall continue focusing our efforts on optimising the Resources Business. I will also urge our management and the Business Development Team to take the necessary steps to secure the swift sales of iron ores of the Group going forward. The Group will continue to cautiously explore and capture mergers and acquisitions and other collaboration or investment opportunities as appropriate.

Lastly, I would like to express my heartfelt gratitude to my fellow Board members, our 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 continuous support.

**Chong Tin Lung, Benny**

*Chairman*

Hong Kong, 26 August 2021

# Management Discussion and Analysis

## Financial Highlights

	Six-month period ended 30 June	
	2021 US\$'000	2020 US\$'000 (Restated) <sup>6</sup>
<b>Continuing operations</b>		
Revenue	248,608	165,017
Gross profit	8,639	4,501
Profit for the period	1,159	1,049
EBITDA <sup>1</sup>	4,281	3,830
Basic earnings per share ( <i>US cents</i> )	0.03	0.03
	<b>30 June 2021 US\$'000</b>	31 December 2020 US\$'000
<b>The Group</b>		
Total assets	146,829	135,681
Total equity	33,183	32,049
Net cash position <sup>2</sup>	10,615	N/A
Net debt <sup>3</sup>	N/A	418
	<b>30 June 2021</b>	31 December 2020
<b>The Group</b>		
Liquidity ratio <sup>4</sup>	1.1	1.1
Net gearing ratio <sup>5</sup>	N/A	1%

<sup>1</sup> EBITDA is defined as profit before interest, tax expense, depreciation, amortisation and impairment loss for the period

<sup>2</sup> Net cash position is defined as cash and bank deposits less total interest-bearing liabilities

<sup>3</sup> Net debt is defined as total interest-bearing liabilities less cash and bank deposits

<sup>4</sup> Liquidity ratio is computed as total current assets divided by total current liabilities

<sup>5</sup> Net gearing ratio is computed as the net debt divided by total equity

<sup>6</sup> As explained in Note 2.1 to the interim condensed consolidated financial information, due to the change in presentation currency during the year ended 31 December 2020, the comparative figures for the six-month period ended 30 June 2020 as shown in the above financial highlights have been restated and presented in US\$ as if US\$ had been the Group's presentation currency in the prior periods

# Management Discussion and Analysis

## Our Resources Business

The Group continues to employ a distributorship business model that involves the sourcing and supply of iron ores and other commodities (the “Resources Business”) during the Reporting Period. With our experience, expertise and know-how in relation to iron ores and other commodities, the Group also offers a range of value-added services. In particular, the Group matches the product offerings of the suppliers with the demands of the customers in terms of pricing, quality and timing, such that the commodities from the overseas mine owners can be effectively brought to the customers in need at the appropriate time. Other major functions of the Group as a distributor include providing support in the areas of supplier management and logistics. The Group coordinates with different suppliers and get commodities from multiple sources to customers as a package where necessary. The Group also organises shipment and delivery of the commodities to the customers.

With the success in securing the Restated Long Term Hematite Supply Agreement in 2019 and other supply contracts with mine owners from time to time, the Group managed to secure stable and sustainable supply of quality iron ores from various reputable overseas mines during the Reporting Period. According to the offtake arrangement under the Restated Long Term Hematite Supply Agreement, Koolan (our supplier) shall supply and sell Hematite Ores to be sourced from the Hematite Mine in such annual quantity as equals 80% of Koolan’s total available production to the Group during each contract year to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine. Apart from the Hematite Ore supply from Koolan, the Group also sourced iron ore supplies from other overseas mines. The Group’s business reputation in the iron and steel industry and good relationships with suppliers are gradually building up.

Apart from supply chain management, the Group has been selling iron ores to groups of stable customers which include sourcing arms of steel mills, trading arms of state-owned enterprises and end-users.

In line with market practices, the Group determines the iron ore selling prices with reference to the relevant market indices of a future period or date with a view to aligning the procurement costs of our customers with the selling prices of their end products. On the supply side, the Group’s commodities are purchased at competitive prices, which, under the Restated Long Term Hematite Supply Agreement, for instance, are to be determined based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices of specified quotation periods commonly adopted and perceived to be authoritative, and reference value published from time to time by recognised institutions in the iron ore industry. In view of the prevailing market conditions and customer preferences, the Group continues to adopt a pricing strategy for certain iron ore products that accepts sales to customers and purchases from suppliers with terms that are subject to future pricing quotation periods (the “QPs”). As the benchmark prices, the market indices and the QPs with the customers may differ from that under the relevant supply contracts resulting in possible gaps in the procurement costs and the selling prices of the Group’s iron ore products, the Group continues to adopt the hedging tools to hedge against commodity price fluctuation risks.



# Management Discussion and Analysis

## Our Resources Business *(Continued)*

The Group continues to adopt hedging tools such as iron ore futures or swaps contracts that are cleared through Singapore Exchange Securities Trading Limited to manage the operational risks that may arise from the Resources Business. Through these hedging instruments, the Group has been able to hedge against part of the financial impacts on the iron ore supply and sales contracts as a result of the fluctuations in iron ore market prices, which may arise from movements in the benchmark prices and market indices under different QPs during the Reporting Period. The Group's business development team (the "Business Development Team") and hedging executives are responsible for managing the Group's exposure over iron ore price fluctuation through business negotiations and by setting out and executing the approved hedging strategy and hedging instruments from time to time, respectively.

## Group Overview

During the Reporting Period, having been impacted by the coronavirus disease 2019 ("COVID-19") pandemic and the tight supply conditions of our suppliers, the Group's Resources Business was distressed by a certain extent. As a result, the growth in the business scale of the Resources Business during the Reporting Period was less than that the Group has originally envisaged, particularly in terms of the quantity of iron ores procured and sold. Notwithstanding these, with the continuous support of the Group's customers and suppliers, the persistent efforts of our management and the Business Development Team, and the prevailing lofty market conditions, the business and financial performance of the Group improved and the Group's revenue derived from the sales of iron ores (the Group's continuing operations) increased by about 51% to approximately US\$248.6 million, as compared to approximately US\$165.0 million (restated) for the Corresponding Prior Period. The profit for the period from continuing operations of the Group during the Reporting Period was approximately US\$1.2 million (approximately US\$1.0 million (restated) for the Corresponding Prior Period). The basic and diluted earnings per share from continuing operations of the Group for the Reporting Period was approximately US0.03 cents (approximately US0.03 cents (restated) for the Corresponding Prior Period).

The comparative figures for the six-month period ended 30 June 2020 in the interim condensed consolidated financial information have been restated and presented in US\$ as if US\$ had been the Group's presentation currency for the prior periods. In the prior year, on 30 June 2020, the Group completed the Disposal of the discontinued operations of an iron and gabbro-dabase mine located in Mainland China (hereinafter collectively referred to as the "Discontinued Operations") and the functional currency of the Company has been changed from RMB to US\$. In addition, the Company and the Group changed the presentation currency of the financial statements from RMB to US\$ with effect from 1 July 2020. Further details of the changes in the functional currency of the Company and the presentation currency of the Group's and the Company's financial statements and the presentation of comparative financial information were set out in Annual Report 2020 and Note 2.1 to the interim condensed consolidated financial information.

# Management Discussion and Analysis

## Business and Operational Review

### Our Markets and Product Prices

Global prospects remain highly uncertain over one year into the COVID-19 pandemic. New virus mutations and the accumulating human toll raise concerns, even as growing vaccine coverage lifts sentiment. It was projected by the International Monetary Fund in early 2021 that the global economy could grow about 6% in 2021. This projection of a strong economic recovery and growth outlook was based on certain main drivers including the vaccines rollout in many advanced economies and stronger fiscal stimulus of advanced economies.

The World Steel Association forecasted that global steel demand will climb about 5.8% in 2021 and China will remain the largest consumer of global iron ore trade and the key driver for iron ore demand. The price of US-made steel has also soared in the first half of 2021 buoyed by the nationwide deployment of the COVID-19 vaccine and a strong rebound of the economy supported by a faster-than-expected reopening. Moreover, tariffs imposed by the US government on low-cost imported steel and consolidation among industry players to revive the sagging industry have resulted in a jump in steel prices. Notably, growing demand for steel has resulted in sky-high prices of iron ores, the most important input of steel industry.

China's economy continued to recover from the COVID-19 pandemic in the first half of 2021 and China's GDP increased by about 12.7% in the first half of 2021, putting the country on track to meet its GDP growth target of "over 6 percent". It was expected that the stimulus measures introduced in 2020 would largely remain in place to ensure continued reasonable growth in the economy. Given this strong growth backdrop, some analysts expected China's steel production to continue its growth for the rest of 2021 under the post-COVID-19 recovery.

However, under the 14th Five-Year Plan for National Economic and Social Development of the PRC (2021 to 2025) (the "14th Five-Year Plan"), the China Iron and Steel Association announced its plan to cut 236 million tonnes of steel capacity during 2021 to 2025, in response to the country's ultra-low emission transformation and the tightening capacity replacement standards. This will inevitably impact China's steel production and iron ore consumption and imports.

In addition, inflation control is prioritised by the PRC government in near term, which will likely lead to continued controls on commodity prices, including iron ores, while the PRC government may add more export barriers to keep steel in China to lower prices. In particular, to cool down steel prices, the PRC government has recently removed the value-added tax rebate for steel exports and the import tariff on steel thus discouraging steel exports and encouraging steel imports.

On the supply side, the global iron ore supply has been struggling to keep pace with the demand. Major producers with operations in the low-cost mining hubs of Australia and Brazil have been dominating the global iron ore supply, with a shift towards increasing supply of high-grade iron ores to help meet tightening carbon emissions standards in the global steel sector. However, the timing of resumption of mining activity at certain disrupted mines in Brazil remains uncertain. With few green-field projects in the pipeline and the steepening hurdles on environmental perspective, it could be expected that tight supply conditions will prevail until the restart of the shuttered mining capacity in Brazil.

# Management Discussion and Analysis

## Business and Operational Review *(Continued)*

### Our Markets and Product Prices *(Continued)*

In China, Australian iron ore is the single biggest source of overseas supply. The escalating political tensions between China and Australia may affect the iron ore supply in the future. The Group will keep abreast of the latest policy measures and development so as to accommodate the changes or adjust the Group's business strategies as appropriate.

Iron ore prices continued its rise during the Reporting Period and reached its record-high in May 2021, reflecting buoyant and sustained demand, continued supply-side constraints as well as speculative activities in the commodity market. Seaborne iron ore prices for medium-grade fines (62% Fe CFR North China) (the "Platts IODEX Price") and high-grade fines (65% Fe CFR North China) (the "65 IO Price") were approximately US\$155 per tonne and approximately US\$167 per tonne, respectively, at the beginning of 2021 and were lifted to the record-high of approximately US\$233 per tonne and approximately US\$264 per tonne respectively in May 2021 and closed at the monthly average prices of approximately US\$214 per tonne and approximately US\$246 per tonne, respectively, for June 2021. During the Reporting Period, the Group's iron ores were mainly priced with reference to the relevant benchmark price, the Platts IODEX Price, with price adjustments for quality and impurities where applicable subject to business negotiation, terms of sales, and cargo specifications. Coupled with the highly variable iron grade of Hematite Ores, the more volatile and continual fast moving seaborne iron ore prices during the Reporting Period and thereafter have added difficulties and created challenges to the Resources Business, in particular, on trade negotiation, product pricing and execution of hedging strategy and hedging instruments.

The Group shall keep abreast of the market development and take the necessary steps to secure the swift sales of iron ores of the Group going forward.

### Our Suppliers and Customers

The Group's revenue from continuing operations increased by about 51% to approximately US\$248.6 million, as compared to approximately US\$165.0 million (restated) for the Corresponding Prior Period. The Group continued to procure the Hematite Ores extracted from the Hematite Mine under the Restated Long Term Hematite Supply Agreement on Free on Board basis from Australia during the Reporting Period. The Group also sourced iron ore supplies from other overseas mines on Cost and Freight ("CFR") terms.

During the Reporting Period, the Group purchased and sold approximately 1.5 Mt of iron ores (approximately 2.2 Mt for the Corresponding Prior Period), comprising approximately 0.5 Mt Hematite Ores sourced from Koolan and approximately 1.0 Mt of iron ores sourced from other suppliers (approximately 0.7 Mt and 1.5 Mt, respectively, for the Corresponding Prior Period). The average grade of ore sold during the Reporting Period was about 58% Fe for Hematite Ores (about 65% Fe for the Corresponding Prior Period and down to about 62% Fe for the fourth quarter of 2020) and about 62% Fe for iron ores sourced from other suppliers (about 57% Fe for the Corresponding Prior Period).

As mentioned in Annual Report 2020, Koolan has commenced the scheduled overburden stripping programme at the Hematite Mine since the second half of 2020. As a result, the quantity of Hematite Ore supply has decreased and the average grade of Hematite Ores has shifted to a lower grade with higher impurities reflecting the waste movement cycle of the Hematite Mine during the Reporting Period.



# Management Discussion and Analysis

## Business and Operational Review *(Continued)*

### Our Suppliers and Customers *(Continued)*

On the other hand, the COVID-19 pandemic has had a negative impact on global activities during the Reporting Period and the quantity of iron ores procured from other suppliers decreased.

During the Reporting Period, the Group has been selling iron ores to groups of stable customers which include sourcing arms of steel mills and trading arms of state-owned enterprises. The overall average unit selling price of the Group's iron ores was approximately US\$166 per tonne during the Reporting Period (approximately US\$75 per tonne for the Corresponding Prior Period), which has taken into account the product pricing under the relevant market indices, the aforesaid quality and impurity adjustments applicable to the iron ore products, the related hedging arrangements and the provision of shipment services by the Group. Such increase in average unit selling price was largely in line with the lofty iron ore market indices prevailing during the Reporting Period.

Targeting to achieve carbon neutrality before 2060, high-grade iron ore fines, lump and pellets have been supported by the PRC government policies under the 14th Five-Year Plan aiming to curb the resurgent pollution problem observed. Demand for high-grade iron ores is also expected to benefit from decarbonisation due to the lower impurities and higher productivity that they offer. Therefore, higher quality discounts and impurity adjustments have been applied on the Hematite Ores sold during the Reporting Period.

Looking forward, the supply of Hematite Ores sourced from Koolan will remain at a low level for the rest of 2021 as the supplier is expected to continue to progress the peak overburden stripping phase at the Hematite Mine. The Group will endeavour to further identify and expand the product offerings and try to take steps to convert the standalone supplies into more sustainable long term supplies if that could bring more contributions to the financial results of the Group in the long run.

### Our Shipments and Delivery Services

The Group continued to engage shipment service providers under chartering during the Reporting Period. Attributed to the COVID-19 pandemic, the nominated vessels were required to continue to observe various protocols and measures implemented by various governments to reduce the risk of virus transmission during the Reporting Period. In line with the upsurge of the relevant sea freight index as quoted on the Baltic Exchange and the increasing fuel costs, the Group has borne a higher shipment costs during the Reporting Period, as compared to the Corresponding Prior Period.

# Management Discussion and Analysis

## Financial Review

### Revenue

The Group recognised revenue derived from the sales of iron ores under provisional pricing arrangements on a gross basis, service income from the shipment of cargoes, fair values adjustment on trade receivables arising from the fluctuations in commodity price indices and gain or loss on iron ore futures or swap contracts to manage the operational risks that may arise from the sales of iron ores. Therefore, the Group's revenue is subject to provisional pricing adjustments until they are finalised. The provisional prices are usually finalised within three months after the month of shipment.

During the Reporting Period, the Group recognised revenue from continuing operations (the Resources Business) of approximately US\$248.6 million (approximately US\$165.0 million (restated) for the Corresponding Prior Period), representing an increase of about 51%. In addition, the Group sold approximately 1.5 Mt of iron ores during the Reporting Period (approximately 2.2 Mt for the Corresponding Prior Period), comprising approximately 0.5 Mt Hematite Ores sourced from Koolan and approximately 1.0 Mt iron ores sourced from other suppliers.

The following table summarised the business volume and revenue of the Group:

	Six-month period ended 30 June					
	2021			2020		
	Transaction volume MT	Revenue US\$ million	Gross profit US\$ million	Transaction volume MT	Revenue US\$ million (Restated)	Gross profit US\$ million (Restated)
Revenue from sales of iron ore products sourced from						
– Koolan	0.5	44.5		0.7	72.0	
– Other Suppliers	1.0	204.1		1.5	93.0	
<b>Total</b>	<b>1.5</b>	<b>248.6</b>	<b>8.6</b>	<b>2.2</b>	<b>165.0</b>	<b>4.5</b>

# Management Discussion and Analysis

## Financial Review *(Continued)*

### Revenue *(Continued)*

Impeded by the COVID-19 related travel restrictions and preventive protocols and attributed to the scheduled overburden stripping programme at the Hematite Mine in progress, there was lesser Hematite Ore output by Koolan during the Reporting Period, as compared to the quantity that the Group has originally envisaged. In addition, during the stripping phase, the production and sales of iron ore products from Koolan were limited to blended lower and medium grade materials. As such, the average ore grade sourced from Koolan was only about 58% Fe during the Reporting Period (about 65% Fe for the Corresponding Prior Period). The impurities (particular silica) have shot up dramatically during the Reporting Period as compared to the Corresponding Prior Period. As a result, despite the strong market indices prevailing during the Reporting Period, the overall average unit selling price of the Hematite Ores decreased, reflecting a combination of lower iron grade products offered, higher contaminants and increased price adjustments for product quality in the market.

The COVID-19 pandemic has had a negative impact on global activities and our procurement from other suppliers too. Thus, the quantity of iron ores procured from other suppliers has decreased and was less than the target that the Group has originally envisaged.

The overall average unit selling price of the Group's iron ores was approximately US\$166 per tonne during the Reporting Period (approximately US\$75 per tonne for the Corresponding Prior Period), which has taken into account the provisional price of the sales, the aforesaid changes in fair values of the trade receivables and related hedging arrangements, and the Group's revenue derived from provision of shipment services. The improvements in the Group's revenue and average unit selling price were mainly attributed to the strong iron ore market indices and iron ore market demands prevailing during the Reporting Period.

### Gross Profit

During the Reporting Period, the Group has been successfully matching the products with customers' demands and locking in the profit or loss by absorbing the more variable iron grade products with the customers through business negotiation and the effective execution of hedging instruments and shipping arrangements. Coupled with the lower iron quality and increased price adjustments for iron grade and impurities and by capturing the strong iron ore market indices prevailing throughout the first half of 2021, the Group has been able to achieve an increase in gross profit by approximately US\$4.1 million for the Reporting Period, as compared to that of Corresponding Prior Period.

# Management Discussion and Analysis

## Financial Review *(Continued)*

### Result for the Reporting Period

The Group's net profit for the Reporting Period (including that from the Discontinued Operations) was approximately US\$1.2 million (approximately US\$1.0 million (restated) for the Corresponding Prior Period). The net profit from continuing operations of the Group for the Reporting Period and the profit for the Reporting Period attributable to the owners of the Company from continuing operations both amounted to approximately US\$1.2 million (approximately US\$1.0 million (restated) for the Corresponding Prior Period).

The financial results of the Group for the Reporting Period improved as compared to the Corresponding Prior Period because the Group was able to capture the business opportunities under strong iron ore indices resulting in the strong performance and operating results of the Resources Business achieved during the Reporting Period. Such increase in profit was partly reduced by the provision made for onerous contract and the impairment loss on other current financial asset of the Group of approximately US\$1.6 million and approximately US\$1.3 million, respectively, during the Reporting Period. Such provision for onerous contract was made in view of the unavoidable loss related to the supply of iron ores arising from the ordinary and usual course of business of the Resources Business. In addition, impairment provision has been made in full for the trade deposit paid to a supplier in a prior year in view of the long ageing, slow progress and greater uncertainty in recovery of remaining outstanding balance despite the Group's continuous effort to pursue for the settlement.

### Changes in the Financial Position

The Group had total assets of approximately US\$146.8 million as at 30 June 2021 (approximately US\$135.7 million as at 31 December 2020), which mainly represented the trade and bills receivables of approximately US\$101.4 million and other long-term asset relating to the Restated Long Term Hematite Supply Agreement of approximately US\$15.6 million, other current financial assets of approximately US\$11.6 million and cash and bank deposits of approximately US\$16.6 million. The overall increase in the Group's total assets was mainly attributed to the increase in the Group's trade and bills receivables by approximately US\$5.4 million and the increase in other current financial assets at fair value through profit or loss by approximately US\$6.5 million which represented the net open position of iron ore futures or swap contracts as at 30 June 2021 (Nil as at 31 December 2020).

The Group had total liabilities of approximately US\$113.6 million as at 30 June 2021 (approximately US\$103.6 million as at 31 December 2020), which mainly represented the trade and bills payables of approximately US\$102.0 million and interest-bearing bank and other borrowings of approximately US\$6.0 million. The overall increase in the Group's total liabilities was attributed to the increase in the Group's trade and bills payables by approximately US\$20.2 million during the Reporting Period. Such increase was partly offset by the decrease in the Group's interest-bearing bank and other borrowings by approximately US\$14.5 million as a result of the repayment made during the Reporting Period.

The Group's total equity also increased to approximately US\$33.2 million as at 30 June 2021 (approximately US\$32.0 million as at 31 December 2020). The increase mainly represented the net profit of the Group for the Reporting Period of approximately US\$1.2 million.

# Management Discussion and Analysis

## Interim Dividend

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

## Segment Information

The Group principally engaged in the Resources Business as the continuing operations throughout the Reporting Period and for the Corresponding Prior Period.

An analysis of the Group's revenue from contracts with customers by geographical segment is as follows:

	Six-month period ended 30 June	
	2021 US\$'million	2020 US\$'million (Restated)
Mainland China	217.4	150.5
Others	–	9.4
Total revenue from contracts with customers	217.4	159.9

Revenue from external customers by geographical location is based on the ports of discharge.

Further details of the Group's segment information and segment results are set out in Note 3 to the interim condensed consolidated financial information, and discussion of business performance of the Resources Business is set out in the sections headed "Business and Operational Review" and "Financial Review" above.

## 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 the Group's financial instruments, financial assets and liabilities, projected cash flows from operations and the general working capital requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the effective use of its internal financial resources, bank and other borrowings and trade finance banking facilities.

Further details of the Group's interest-bearing bank and other borrowings are discussed below and set out in Note 14 to the interim condensed consolidated financial information.

Going forward, the Group's management and the Business Development Team will continue to focus on managing the banking facilities and other financing options so as to optimise the working capital requirements for the Group's business.



# Management Discussion and Analysis

## Capital Structure and Gearing Ratio

As at 30 June 2021, the Group's total equity amounted to approximately US\$33.2 million (approximately US\$32.0 million as at 31 December 2020). During the Reporting Period, the Group financed the operation and business expansion by the internal financial resources, the interest-bearing bank and other borrowings and the trade finance banking facilities.

As at 30 June 2021, as the Group had net cash position of approximately US\$10.6 million, it is therefore not considered to have any net gearing (net gearing ratio was about 1% as at 31 December 2020).

## Liquidity and Financial Resources

As at 30 June 2021, the cash and cash equivalents of the Group amounted to approximately US\$12.7 million (approximately US\$15.2 million as at 31 December 2020), representing about 9% (about 11% as at 31 December 2020) of total assets of the Group. These cash and cash equivalents were mainly denominated as to about 85% in USD and about 11% in HKD as at 30 June 2021 (about 87% in USD and about 10% in HKD as at 31 December 2020). In addition, the Group had restricted bank deposits denominated in USD to secure the issuance of letters of credit to suppliers. The restricted bank deposits reduced by approximately US\$1.0 million as at 30 June 2021 as compared to that at 31 December 2020 as the Group's purchases of iron ores had decreased which help reducing the aforesaid deposit requirements.

The Group had interest-bearing bank and other borrowings of approximately US\$6.0 million as at 30 June 2021 (approximately US\$20.5 million as at 31 December 2020). Therefore, the Group's net cash position was approximately US\$10.6 million as at 30 June 2021 (net debt position of approximately US\$0.4 million as at 31 December 2020). The Group's liquidity remained stable during the Reporting Period because the Group had made a profit for the Reporting Period with net cash inflow from the release of working capital from trade and bills receivables and payables of approximately US\$14.8 million which was then used for the repayment of the Group's interest-bearing bank and other borrowings of approximately US\$14.5 million during the Reporting Period.

The Group had unutilised committed trade finance banking facilities of approximately US\$252.2 million for the Resources Business as at 30 June 2021 (approximately US\$273.3 million as at 31 December 2020). The Group will continue to negotiate for new trade finance facilities with banks to support continual development of the Group's business.

The Group's liquidity ratio remained stable at about 1.1 as at 30 June 2021 (about 1.1 as at 31 December 2020).

# Management Discussion and Analysis

## Loans, Indebtedness, Maturity Profile and Exposure to Fluctuations in Interest Rates

As at 30 June 2021, the Group's interest-bearing bank and other borrowings were approximately US\$6.0 million (approximately US\$20.5 million as at 31 December 2020). About 99% of these borrowings will mature within one year or were repayable on demand as at 30 June 2021 and 31 December 2020.

The Group's interest-bearing bank and other borrowings were denominated in HKD and carried a fixed interest rate as at 30 June 2021. As at 31 December 2020, about 66% of these borrowings were denominated in USD which carried a floating interest rate and the remaining balance was denominated in HKD and carried a fixed interest rate. As such, the Group had no material exposure to interest rate fluctuations as at 30 June 2021 and 31 December 2020.

The decrease in interest-bearing bank and other borrowings during the Reporting Period was mainly attributable to the repayment of approximately US\$14.5 million made.

## Pledge of Assets

The Group's utilised trade finance banking facilities as at 30 June 2021 were secured by an aggregate amount of restricted bank deposits of approximately US\$3.9 million. As at 31 December 2020, the Group's restricted bank deposits and bills receivables of approximately US\$4.9 million and approximately US\$13.5 million, respectively, were used to secure the utilised trade finance banking facilities and interest-bearing bank and other borrowings.

As at 30 June 2021 and 31 December 2020, no property, plant and equipment or right-of-use assets were pledged to secure the Group's bank borrowings or banking facilities.

## Exposure to Fluctuations in Exchange Rates

All of the Group's sales and purchases from continuing operations for the Reporting Period and about 98% and about 94% of the Group's total assets and total liabilities respectively as at 30 June 2021 were denominated in USD, which is the presentation currency of the Group's interim condensed consolidated financial information. Therefore, the Group had no material exposure to exchange rate fluctuations as at 30 June 2021 and does not have any foreign currency hedging policy.

# Management Discussion and Analysis

## Exposure to Fluctuations in Commodity Prices and Hedging

During the Reporting Period, the Group continues to manage the exposure over fluctuations in iron ore market prices by entering into iron ore futures or swap contracts. The Group's hedging executives have managed such exposure by execution of approved hedging strategy and hedging instruments. Through these hedging instruments, the Group shall be able to hedge against part of the fluctuations in iron ore market prices arising from the Resources Business. The pricing mechanism in the Group's iron ore sales and purchase contracts reflects a reference index price. The reference index price that was mostly adopted by the Group and had exposure to commodity price fluctuations during the Reporting Period were the Platts IODEX Price (the 65 IO Prices for the Corresponding Prior Period).

During the Reporting Period, the Group recognised net gains of approximately US\$0.3 million (net loss of approximately US\$0.6 million (restated) for the Corresponding Prior Period) and net gains of approximately US\$10.7 million (approximately US\$5.0 million (restated) for the Corresponding Prior Period) from hedging transactions in the Group's revenue and cost of sales, respectively.

As at 30 June 2021, the Group had an aggregate open position of iron ore futures or swap contracts of 185,000 tonnes expiring by the end of August 2021 with a positive contract value of approximately US\$6.5 million (Nil as at 31 December 2020) which has been recognised as the other current financial assets at fair value through profit or loss.

## Significant Investments, Acquisitions and Disposals

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

The Group did not have any specific future plans for material investments or capital assets as at 30 June 2021. Nevertheless, the Group will continue to explore and evaluate projects and investment opportunities with potentials to create value for the Shareholders in the long run.

## Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 27 (28 as at 31 December 2020) employees in Hong Kong and Mainland China from its continuing operations.

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. In addition, the Group encourages its employees to receive training that is suitable for their job nature and caters to their needs of obtaining certain professional qualifications, such as providing or encouraging employees to attend seminars and training for different professional knowledge. Appropriate training programmes and/or seminar subsidies are also offered to ensure continuous staff training and development.

# Management Discussion and Analysis

## Employees and Remuneration Policies *(Continued)*

The emoluments of the Directors, comprising Director's fee, salary package, discretionary bonus and share options, are reviewed and determined by the Board based on the recommendations from the Company's remuneration committee (the "Remuneration Committee") with reference to the Company's performance, the Director's duties and responsibilities with the Company, and the prevailing market conditions. The Director's remuneration will be subject to annual review by the Remuneration Committee and the Board with the authorisation granted by the Shareholders at the AGM.

The human resources department of the Group is responsible for the 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 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.

The Group has followed the measures and directives issued by the government and health authorities at the cities with operations and deployed appropriate operation protocols and preventive measures to protect the Group's employees and provide them with healthy and hygienic working environments within the office premises during the Reporting Period.

To help fight against the COVID-19 pandemic, the Group has followed the guidelines and requirements published by relevant local government departments from time to time. The Group has also implemented preventive measures for our employees such as work-from-home policy, flexible working hours and encourages our employees to hold virtual meetings instead of physical meetings with our stakeholders as much as feasible. The Group and our staff force will continue to closely observe the health instructions and preventive measures issued by the government authorities to help contain the COVID-19 pandemic.

## Event after the Reporting Period

Save as disclosed elsewhere in this interim report, there was no important event affecting the Group for the period from 30 June 2021 to the date of this interim report.

# Management Discussion and Analysis

## Outlook and Future Plans

The low-carbon initiatives under the 14th Five-Year Plan will inevitably impact China's steel production and iron ore consumption. However, global steel output has yet to recover from the decreased Brazilian supply which remained impacted by the COVID-19 pandemic and regulatory restrictions related to tailings dam management.

As discussed earlier, the supply of Hematite Ores sourced from Koolan will remain low for the rest of 2021 as the supplier is in the peak overburden stripping phase at the Hematite Mine. The Group is looking forward to the successful completion of the aforesaid overburden stripping phase by the supplier within 2021 with resumption of high grade ore supply to the Group in the long run.

Subsequent to the Reporting Period, the spot market Platts IODEX Price dropped sharply to about US\$150 per tonne representing a fall in iron ore price by more than 30% from the record-high in May 2021 on the prospect of weaker iron ore demand from China. The expected drop in demand is mainly due to the PRC government's directive to keep a lid on carbon emission by lowering steel production and keeping steel production in 2021 at the 2020 level while the steel production in the first half of 2021 already grew by nearly 12% when compared with that of the first half of 2020. Also, China has further moved to cancel more steel export rebates of value added tax for some steel exports with effect from 1 August 2021. These uncertainties over tax and policies changes have caused both steelmakers and traders hesitating over whether to enter into trading positions or contracts and therefore triggering the recent sharp decrease in seaborne iron ore market prices and demand for iron ore imports. In addition, there are more reported locally transmitted COVID-19 cases in China recently. In response to this, some cities in China stepped up restrictions, cut flights and increased testing to get to grips with an outbreak driven mainly by the Delta variant. Moreover, the outbreak of COVID-19 has recently intensified at the global level. The global surge in COVID-19 cases would affect the global economy which, in turn, would weaken the demand for iron ores. This poses a further risk on the Group's business and operation. Should these uncertainties and risks persist, there may be material adverse impact on the Group's financial results and position.

The recent more volatile and continual fast moving seaborne iron ore market prices after 30 June 2021 have added difficulties and created challenges to the Resources Business, in particular, on trade negotiation, product pricing and execution of hedging strategy and hedging instruments. The Business Development Team shall keep abreast of the market development and take the necessary steps to secure the swift sales of iron ores of the Group going forward.

Looking forward, the Group continues to focus its efforts on optimising the Resources Business and minimising the adverse impact on the Group by adopting relevant cautious measures. The Group will also continue to identify and explore new supplies of iron ore and other commodities and evaluate and secure possible long-term business and offtake relationships with suitable suppliers to further diversify the Group's product offerings. The Group will continue to cautiously explore and capture mergers and acquisitions and other collaboration or investment opportunities as appropriate.



# Independent Review Report



**Ernst & Young**  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

## To the Board of Directors of Newton Resources Ltd

*(Incorporated in the Cayman Islands with limited liability)*

### Introduction

We have reviewed the interim financial information set out on pages 19 to 51, which comprises the interim condensed consolidated statement of financial position of Newton Resources Ltd (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

26 August 2021

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Continuing operations</b>			
<b>Revenue</b>	3	<b>248,608</b>	165,017
Cost of sales		<b>(239,969)</b>	(160,516)
<b>Gross profit</b>		<b>8,639</b>	4,501
Other income and gains		<b>56</b>	1
Selling and distribution costs		<b>(2,009)</b>	(901)
Administrative expenses		<b>(1,379)</b>	(850)
Other expenses		<b>(2,950)</b>	–
Finance expense		<b>(550)</b>	(1,442)
Share of losses of an associate		<b>(9)</b>	(1)
<b>Profit before tax from continuing operations</b>	4	<b>1,798</b>	1,308
Income tax expenses	5	<b>(639)</b>	(259)
<b>Profit for the period from continuing operations</b>		<b>1,159</b>	1,049
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	6	–	–
<b>Profit for the period</b>		<b>1,159</b>	1,049
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>(25)</b>	(17)
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of the Company and its non-foreign operations		–	(439)
<b>Other comprehensive income for the period, net of tax</b>		<b>(25)</b>	(456)
<b>Total comprehensive income for the period</b>		<b>1,134</b>	593

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Profit for the period attributable to the owners of the Company:</b>			
– from continuing operations		1,211	1,049
– from discontinued operations		–	13
		<b>1,211</b>	1,062
<b>Loss for the period attributable to non-controlling interests:</b>			
– from continuing operations		(52)	–
– from discontinued operations		–	(13)
		<b>(52)</b>	(13)
<b>Profit for the period</b>		<b>1,159</b>	1,049
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		1,186	596
Non-controlling interests		(52)	(3)
		<b>1,134</b>	593
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	8		
Basic and diluted			
– For profit for the period ( <i>US cents</i> )		0.03	0.03
– For profit from continuing operations ( <i>US cents</i> )		0.03	0.03

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	270	186
Right-of-use assets		145	200
Other long-term asset	10	15,640	16,181
Investment in an associate		238	244
<b>Total non-current assets</b>		<b>16,293</b>	16,811
<b>Current assets</b>			
Trade and bills receivables	11	101,417	95,994
Other current financial assets	12	11,637	2,258
Prepayments and other receivables		905	523
Restricted bank deposits		3,902	4,905
Cash and cash equivalents		12,675	15,190
<b>Total current assets</b>		<b>130,536</b>	118,870
<b>Current liabilities</b>			
Trade and bills payables	13	101,964	81,784
Other current financial liabilities		2,226	291
Provision, other payables and accruals		2,662	850
Interest-bearing bank and other borrowings	14	5,921	20,412
Income tax payables		832	194
<b>Total current liabilities</b>		<b>113,605</b>	103,531
<b>Net current assets</b>		<b>16,931</b>	15,339
<b>Total assets less current liabilities</b>		<b>33,224</b>	32,150

# Interim Condensed Consolidated Statement of Financial Position

30 June 2021

	Notes	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings	14	41	101
<b>Total non-current liabilities</b>		<b>41</b>	101
<b>Net assets</b>		<b>33,183</b>	32,049
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	46,890	46,890
Reserves		(14,638)	(15,824)
		<b>32,252</b>	31,066
<b>Non-controlling interests</b>		<b>931</b>	983
<b>Total equity</b>		<b>33,183</b>	32,049



# Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2021

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserves	Exchange fluctuation reserve	Accumulated losses	Total			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
(Unaudited)									
At 1 January 2021	46,890	101,684	11,466	(60)	(128,914)	31,066	983	32,049	
Profit/(loss) for the period	-	-	-	-	1,211	1,211	(52)	1,159	
Other comprehensive income for the period:									
Exchange differences of foreign operations	-	-	-	(25)	-	(25)	-	(25)	
Total comprehensive income for the period	-	-	-	(25)	1,211	1,186	(52)	1,134	
At 30 June 2021	46,890	101,684*	11,466*	(85)*	(127,703)*	32,252	931	33,183	

\* These reserve accounts comprise the deficiency in reserves of United States Dollars ("US\$")14,638,000 in the interim condensed consolidated statement of financial position as at 30 June 2021.

# Interim Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserves	Exchange fluctuation reserve	Accumulated losses	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
(Unaudited)								
(Restated)								
At 1 January 2020	51,338	111,330	12,015	(7,731)	(136,122)	30,830	(696)	30,134
Profit/(loss) for the period	-	-	-	-	1,062	1,062	(13)	1,049
Other comprehensive income for the period:								
Exchange differences arising on translation into presentation currency	-	-	-	(466)	-	(466)	10	(456)
Total comprehensive income for the period	-	-	-	(466)	1,062	596	(3)	593
Disposal of subsidiaries (Note 2.1)	-	-	-	(4,910)	4,910	-	699	699
At 30 June 2020	51,338	111,330	12,015	(13,107)	(130,150)	31,426	-	31,426

# Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Cash flows from operating activities</b>			
Profit before tax:			
From continuing operations		1,798	1,308
From discontinued operations		–	–
Adjustments for:			
Finance costs		550	1,677
Bank interest income		(3)	(159)
Share of losses of an associate		9	1
Depreciation of items of property, plant and equipment		19	14
Depreciation of right-of-use assets		55	55
Amortisation of other long-term asset		541	851
Impairment loss on other current financial asset	12	1,318	–
Provision for onerous contract	2.3	1,632	–
Loss on disposal of items of property, plant and equipment		–	22
Reversal of write-down of inventories to net realisable value	6	–	(75)
Write-back of other payables	6	–	(1,071)
Gain on disposal of subsidiaries	6	–	(243)
<b>Cash flows before working capital changes</b>		<b>5,919</b>	2,380
Decrease in inventories			
		–	144
(Increase)/decrease in trade and bills receivables			
		(5,423)	13,787
(Increase)/decrease in other current financial assets			
		(10,712)	6,179
(Increase)/decrease in prepayments and other receivables			
		(382)	65
Decrease in restricted bank deposits			
		1,003	8,899
Increase/(decrease) in trade and bills payables			
		20,180	(4,192)
Increase/(decrease) in other current financial liabilities			
		1,935	(63)
Decrease in contract liabilities			
		–	(26)
Increase/(decrease) in provision, other payables and accruals			
		215	(138)
<b>Cash generated from operations</b>		<b>12,735</b>	27,035
Interest received			
		3	171
Hong Kong profits tax paid			
		(1)	(39)
<b>Net cash flows from operating activities</b>		<b>12,737</b>	27,167

# Interim Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2021

	Notes	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Cash flows from investing activities</b>			
Consideration received from disposal of subsidiaries	6	–	13,190
Proceeds from disposal of items of property, plant and equipment		–	24
Purchase of items of property, plant and equipment		(103)	–
<b>Net cash flows (used in)/from investing activities</b>		<b>(103)</b>	<b>13,214</b>
<b>Cash flows from financing activities</b>			
Repayment of bank and other borrowings		(14,496)	(63,119)
Decrease in restricted bank deposits		–	32,102
Interest and other finance expenses paid		(605)	(1,300)
Principal portion of lease payments		(55)	(48)
<b>Net cash flows used in financing activities</b>		<b>(15,156)</b>	<b>(32,365)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,522)</b>	<b>8,016</b>
Cash and cash equivalents at beginning of period		15,190	12,956
Effect of foreign exchange rate changes, net		7	4
<b>Cash and cash equivalents at end of period</b>		<b>12,675</b>	<b>20,976</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		10,674	3,810
Non-pledged time deposits with original maturity of less than three months when acquired		2,001	17,166
<b>Cash and cash equivalents at end of period</b>		<b>12,675</b>	<b>20,976</b>

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 1. Corporate Information

Newton Resources Ltd (the “Company”, and together with its subsidiaries, collectively the “Group”) 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 six-month period ended 30 June 2021, the principal activity of the Company was investment holding and the principal activities of its subsidiaries included trading of iron ores and other commodities (the “Resources Business”).

## 2. Basis of Preparation and Changes in Accounting Policies and Disclosures

### 2.1 Basis of Preparation

The interim condensed consolidated financial information for the six-month period ended 30 June 2021 (the “Interim Financial Information”) has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The comparative figures for the six-month period ended 30 June 2020 in the Interim Financial Information have been restated and presented in US\$ as if US\$ had been the Group’s presentation currency in the prior periods. In the prior year, on 30 June 2020, the Group completed the disposal of Venca Investments Limited (the “Disposal”). As a result, upon completion of the Disposal, the functional currency of the Company has been changed from Renminbi to US\$. In addition, the Company and the Group changed the presentation currency of the financial statements to US\$ with effect from 1 July 2020. As a result of the Disposal, the Group had released an aggregate amount of US\$4,910,000 from the accumulated exchange fluctuation reserve to accumulated losses, being the accumulated exchange differences on translation of the subsidiaries disposed of, which were considered as non-foreign operations of the Group. Details of these changes were set out in the Group’s annual consolidated financial statements for the year ended 31 December 2020.



# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 2. Basis of Preparation and Changes in Accounting Policies and Disclosures

*(Continued)*

### 2.2 Changes in Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions</i>

The adoption of the above amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and on disclosures set out in the Interim Financial Information.

### 2.3 Significant Accounting Judgements and Estimates

The significant accounting judgements and estimates used in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the following:

#### Provision for Onerous Contract

The provision for onerous contract is based on the difference between the total expected cash inflow (revenue) and the total value of future cash outflow (expenses) that the Group is obligated to make for the remaining term of the contracts. Considerable amounts of estimates and judgements are required in assessing the expected revenue and expected expenses in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, onerous contract provision is recognised.

An onerous contract provision of US\$1,632,000 was recognised as at 30 June 2021 for the Group's Resources Business. The key assumptions used in assessing provision include estimated commodity prices of future quotation period and price adjustments for iron grade and impurities. The provision amount is highly sensitive and susceptible to the assumptions used. Any changes in any of the key assumptions used would result in increase or decrease in provision.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 3. Revenue and Segment Information

The Resources Business is the only reportable business segment of the Group during the six-month periods ended 30 June 2021 and 2020.

An analysis of revenue from continuing operations is as follows:

	<b>Six-month period ended 30 June</b>	
	<b>2021 US\$'000 (Unaudited)</b>	2020 US\$'000 (Unaudited) (Restated)
Revenue from contracts with customers	<b>217,395</b>	159,921
Revenue from other sources:		
Quotation period price adjustments (Note)		
– relating to prior period shipments	<b>7,029</b>	724
– relating to current period shipments	<b>23,853</b>	5,010
Net gains/(losses) on iron ore futures or swap contracts	<b>331</b>	(638)
	<b>248,608</b>	165,017

Note: The Group has continued to adopt the provisional pricing arrangements for certain iron ore products and accepting that its sales to customers may be subject to future pricing quotation periods (the “QPs”) that differ from the periods that the inventories are delivered and to fix the iron ore selling prices based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices subject to future QPs. As a result, certain of the Group’s iron ore products are provisionally priced at the date when revenue is recognised. In this regards, certain of the Group’s revenue from the sales of iron ores is measured at the estimated forward commodity prices for the relevant QPs prevailing at the date or for the period when the inventories are sold, being the amount to which the Group is expected to be entitled at the end of future QPs. Any future price movements that occurred up till the end of the QP are embedded within the Group’s trade receivables. Subsequent changes in value of the provisionally priced receivables are based on the estimated forward commodity prices under the relevant QPs and is recognised as “revenue from other sources” and included in “quotation period price adjustments” above. Certain of the Group’s revenue recognised during the six-month period ended 30 June 2021 were still subject to provisional pricing adjustments until they are finalised, usually within three months after the inventories were delivered.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 3. Revenue and Segment Information *(Continued)*

### Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Types of goods/service</b>		
Sale of iron ores	209,831	153,689
Shipping services	7,564	6,232
Total revenue from contracts with customers	<b>217,395</b>	159,921
<b>Geographical markets</b> (Note)		
Mainland China (the "PRC")	217,395	150,535
Others	–	9,386
Total revenue from contracts with customers	<b>217,395</b>	159,921
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	209,831	153,689
Services transferred over time	7,564	6,232
Total revenue from contracts with customers	<b>217,395</b>	159,921

Note: Revenue from external customers by geographical location is based on the ports of discharge.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 4. Profit Before Tax from Continuing Operations

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Note	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
Cost of inventories sold		<b>242,532</b>	158,473
Shipping costs		<b>7,564</b>	6,232
Net gains on iron ore futures or swap contracts included in cost of sales		<b>(10,668)</b>	(5,040)
Amortisation of other long-term asset included in cost of sales		<b>541</b>	851
Impairment loss on other current financial asset*	12	<b>1,318</b>	–
Provision for onerous contract*		<b>1,632</b>	–
Depreciation of items of property, plant and equipment		<b>19</b>	14
Depreciation of right-of-use assets		<b>55</b>	55
License fee/lease payments not included in the measurement of lease liabilities		<b>119</b>	87
Interest on bank and other borrowings		<b>221</b>	1,307

\* Included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss and other comprehensive income.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 5. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six-month period ended 30 June 2021, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% during the six-month period ended 30 June 2021 (2020: 16.5%).

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the six-month periods ended 30 June 2021 and 2020.

	<b>Six-month period ended 30 June</b>	
	<b>2021 US\$'000 (Unaudited)</b>	2020 US\$'000 (Unaudited) (Restated)
Current – Hong Kong Charge for the period	<b>639</b>	259

There was no tax charge from discontinued operations for the six-month period ended 30 June 2020.

The Group's effective tax rate was 35.5% during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: 19.8%). The increase in effective tax rate was mainly attributed to the tax impact related to the impairment loss made during the six-month period ended 30 June 2021 which was not recognised.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 6. Discontinued Operations

On 31 December 2019, the Company entered into the sale and purchase agreement for the Disposal and the Group ceased and discontinued the iron concentrate business and gabbro-diabase and stone business (the “Discontinued Operations”). The Discontinued Operations were no longer included in Note 3 to the Interim Financial Information for presentation of operating segment information.

(a) The results of the Discontinued Operations were presented below:

	Six-month period ended 30 June 2020 US\$'000 (Unaudited) (Restated)
Revenue	161
Cost of sales	(161)
Other income and gains	221
Selling and distribution costs	(3)
Administrative expenses	(264)
Other expenses	(122)
Gain on disposal of subsidiaries	243
Finance expense, net	(75)
Profit before tax from the Discontinued Operations	–
Income tax expense	–
Profit for the period from the Discontinued Operations	–



# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 6. Discontinued Operations *(Continued)*

(b) Profit for the period from the Discontinued Operations was arrived at after charging/(crediting):

	Six-month period ended 30 June 2020 US\$'000 (Unaudited) (Restated)
Cost of inventories sold	161
Lease payments not included in the measurement of lease liabilities	10
Reversal of write-down of inventories to net realisable value	(75)
Write-back of other payables	(1,071)
Loss on disposal of items of property, plant and equipment	22
Estimated possible payments on the outstanding gabbro-diabase resources fee payable	1,104
Gross rental income from leasing of equipment	(171)

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 6. Discontinued Operations *(Continued)*

- (c) An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries was as follows:

	Six-month period ended 30 June 2020 US\$'000 (Unaudited) (Restated)
Cash consideration	13,916
Cash received in 2019	(128)
Cash and bank balances disposed of	(598)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	13,190

- (d) The net cash flows incurred by the Discontinued Operations were as follows:

	Six-month period ended 30 June 2020 US\$'000 (Unaudited) (Restated)
Operating activities	431
Investing activities	24
Net cash inflows	455

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 6. Discontinued Operations *(Continued)*

(e) Earnings per share from the Discontinued Operations:

	Six-month period ended 30 June 2020 (Unaudited) (Restated)
Basic and diluted <i>(US cents)</i>	–

The calculation of basic earnings per share from the Discontinued Operations was based on:

	Six-month period ended 30 June 2020 (Unaudited) (Restated)
Earnings	13

### Earnings

Profit attributable to ordinary equity holders of the Company from the Discontinued Operations, used in the basic earnings per share calculation  
*(US\$'000)*

13

	Six-month period ended 30 June 2020 (Unaudited)
Shares	4,000,000

### Shares

Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation *(thousands of shares)*

4,000,000

Diluted earnings per share from the Discontinued Operations was the same as the basic earnings per share from the Discontinued Operations as the Company had no potentially dilutive ordinary shares in issue during the six-month period ended 30 June 2020.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 7. Dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the periods attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the six-month periods ended 30 June 2021 and 2020.

The calculation of basic earnings per share is based on:

	Six-month period ended 30 June	
	2021 (Unaudited)	2020 (Unaudited) (Restated)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations (US\$'000)	1,211	1,049
From discontinued operations (US\$'000)	–	13
	<b>1,211</b>	<b>1,062</b>

	Six-month period ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (thousands of shares)	4,000,000	4,000,000

Diluted earnings per share was the same as the basic earnings per share as the Company had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2021 and 2020.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 9. Property, Plant and Equipment

During the six-month period ended 30 June 2021, the Group had addition of items of property, plant and equipment with an aggregate cost amounted to US\$103,000 (six-month period ended 30 June 2020: Nil).

## 10. Other Long-Term Asset

The Group recognised the contractual rights and obligations to purchase hematite ores from the hematite mine (the “Hematite Mine”) under a long term hematite supply agreement (the “Contract”) as the other long-term asset as at 30 June 2021. The Contract entitled the Group to purchase the hematite ores from the Hematite Mine in such annual quantity as equals 80% of total available production of the Hematite Mine during each contract year to the date of permanent cessation of the mining operations at the Hematite Mine.

Based on the business circumstances, the Group has accounted for the Contract as a contract for own-use. In view of the future outputs that will be physically delivered by the supplier and purchased by the Group at discount that the obligations under the Contract will not be net settled in cash, the Contract is treated as a non-current asset which is stated at cost less accumulated amortisation and any impairment loss and is amortised to match with the physical delivery of commodities (i.e. the utilisation by the Group) under the Contract.

During the six-month periods ended 30 June 2021 and 2020, the Group had no addition or disposal of other long-term asset.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 11. Trade and Bills Receivables

	<b>30 June 2021 US\$'000 (Unaudited)</b>	31 December 2020 US\$'000 (Audited)
Trade receivables	<b>50,640</b>	53,923
Bills receivables	<b>50,777</b>	42,071
Total	<b>101,417</b>	95,994

The Group's trading terms with its customers generally require deposits or letters of credit, except for creditworthy customers to whom credits are granted. Generally, on presentation of shipping documents and the provisional invoices, the customers shall settle 95% or more of the invoiced value of the cargoes within prescribed payment due dates and the remaining sales proceeds shall be settled within 30 days from the dates of the final invoices. Sales are invoiced and settled in US\$.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. The Group has not held any collateral or other credit enhancements over its trade receivable balances.

As at 30 June 2021, the Group did not have any outstanding bills receivables transferred to banks (Note 14). As at 31 December 2020, the Group transferred certain of bills of exchange amounted to US\$13,482,000 to a bank with recourse in exchange for cash. The Group was exposed to default risk but did not retain any rights on the use of the bills receivables, including the sales, transfer or pledge of the bills receivables to any third parties. The proceeds from transferring the bills receivables were accounted for as collateralised bank advances and included in interest-bearing bank and other borrowings of US\$13,482,000 as at 31 December 2020.

As at 30 June 2021 and 31 December 2020, the trade and bills receivables were non-interest-bearing.



# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 11. Trade and Bills Receivables *(Continued)*

Set out below is the measurement of trade and bills receivables of the Group as at 30 June 2021 and 31 December 2020.

	<b>30 June 2021 US\$'000 (Unaudited)</b>	31 December 2020 US\$'000 (Audited)
Trade and bills receivables		
– at amortised cost	<b>1,774</b>	142
– at fair value through profit or loss (Note)	<b>99,643</b>	95,852
<b>Total</b>	<b>101,417</b>	95,994

Note: The Group's trade and bills receivables include provisionally priced receivables relating to sales of iron ores where the iron ore selling prices are determined based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices subject to future QPs that differ from the periods that the inventories are delivered. Under IFRS 9, these provisionally priced receivables are measured at the estimated forward commodity prices for the relevant QPs and amounted to US\$99,643,000 at 30 June 2021 (31 December 2020: US\$95,852,000) and were stated at the fair value.

An ageing analysis of the trade receivables as at the end of the reporting periods, based on the invoice date, net of loss allowance, is as follows:

	<b>30 June 2021 US\$'000 (Unaudited)</b>	31 December 2020 US\$'000 (Audited)
Within 3 months	<b>50,640</b>	53,923

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables measured at amortised cost. The Group's trade receivables that were past due as at 30 June 2021 have been settled up to the date of this report, therefore, the credit risk related to the receivables at amortised cost were considered to be immaterial.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 12. Other Current Financial Assets

Set out below is an overview of other current financial assets of the Group as at 30 June 2021 and 31 December 2020:

	Notes	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<b>Other current financial assets at fair value through profit or loss</b>			
– Iron ore futures or swap contracts	(a)	6,492	–
<b>Other current financial assets at amortised cost</b>			
– Coal deposit	(b)	3,023	2,989
– Other deposits and receivables	(c)	5,145	955
		14,660	3,944
Impairment allowance	(b)	(3,023)	(1,686)
Total		11,637	2,258

The movements in impairment allowance of other current financial assets at amortised cost are as follows:

	Note	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
At beginning of period/year		1,686	1,577
Impairment losses	(b)	1,318	–
Exchange realignment		19	109
At end of period/year		3,023	1,686

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 12. Other Current Financial Assets *(Continued)*

Notes:

- (a) As at 30 June 2021, the Group had aggregate open position of iron ore futures or swap contracts of 185,000 tonnes expiring by the end of August 2021 with a positive contract value of US\$6,492,000 (31 December 2020: Nil) which has been recognised as the financial assets at fair value through profit or loss.
- (b) The Group entered into a coal purchase agreement (the "Coal Purchase Agreement") for the supply of coal in a prior year. Pursuant to the Coal Purchase Agreement, the Group had paid the contractual deposit (the "Coal Deposit") which was refundable in full to the Group upon the expiry of the Coal Purchase Agreement. The Coal Purchase Agreement expired in 2018. In view of the greater uncertainty and taking into account the actions taken to prompt for the settlement, an impairment allowance of US\$1,318,000 was made by the Group during the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: Nil) (Note 4).
- (c) As at 30 June 2021, the balance mainly represented a deposit of US\$4,457,000 held by a securities firm for iron ore futures or swap transactions (31 December 2020: US\$11,000).

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 13. Trade and Bills Payables

Certain of the Group's purchases are settled by letters of credit up to a tenor of 120 days. As at 30 June 2021, the Group's bills payables amounted to US\$53,717,000 (31 December 2020: US\$27,705,000). An ageing analysis of the trade and bills payables as at the end of the reporting periods, based on the invoice date, is as follows:

	<b>30 June 2021 US\$'000 (Unaudited)</b>	31 December 2020 US\$'000 (Audited)
Within 3 months	<b>101,964</b>	81,784

The Group's trade and bills payables were non-interest-bearing as at 30 June 2021 and 31 December 2020.

Set out below is the measurement of trade and bills payables of the Group as at 30 June 2021 and 31 December 2020.

	<b>30 June 2021 US\$'000 (Unaudited)</b>	31 December 2020 US\$'000 (Audited)
Trade and bills payables		
– at amortised cost	<b>1,036</b>	332
– at fair value through profit or loss (Note)	<b>100,928</b>	81,452
Total	<b>101,964</b>	81,784

Note: The Group's trade and bills payables include provisionally priced payables relating to purchase of iron ores where the iron ore purchasing prices are determined based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices subject to future QPs that differ from the periods that the inventories are delivered. Under IFRS 9, these provisionally priced payables are measured at the estimated forward commodity prices for the relevant QPs and amounting to US\$100,928,000 at 30 June 2021 (31 December 2020: US\$81,452,000) and were stated at the fair value.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 14. Interest-Bearing Bank and Other Borrowings

	Note	30 June 2021		31 December 2020	
		Effective interest rate (%) (Unaudited)	US\$'000 (Unaudited)	Effective interest rate (%) (Audited)	US\$'000 (Audited)
<b>Current</b>					
Bank borrowings secured by bills receivables	11	–	–	1.1	13,482
Other borrowing – unsecured		6.0	5,805	6.0	6,819
Lease liabilities		8.6	116	8.6	111
			5,921		20,412
<b>Non-current</b>					
Lease liabilities		8.6	41	8.6	101
			41		101
Total			5,962		20,513

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Analysed into:		
Bank borrowings repayable within one year or on demand	–	13,482
Other borrowings repayable:		
Within one year	5,921	6,930
In the second year	41	101
	5,962	7,031
	5,962	20,513

As at 30 June 2021, the Group's interest-bearing bank and other borrowings were unsecured and denominated in HK\$. As at 31 December 2020, the bank borrowings were secured by bills receivables and denominated in US\$ while the other borrowing and the lease liabilities were unsecured and denominated in HK\$.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 15. Share Capital

### Shares

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Authorised: 10,000,000,000 ordinary shares of HK\$0.1 each	<b>1,000,000</b>	1,000,000
	<b>US\$'000 (Unaudited)</b>	US\$'000 (Audited)
Issued and fully paid: 4,000,000,000 ordinary shares of HK\$0.1 each, totally HK\$400,000,000	<b>46,890</b>	46,890

## 16. Share Option Scheme

The Company adopted a new share option scheme (the "2020 Share Option Scheme") at the annual general meeting held on 12 June 2020 to enable it to grant share options as incentives or rewards to eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the 2020 Share Option Scheme will remain in force for a period of 10 years commencing from 12 June 2020 and ending on 11 June 2030. No share option has been granted under the 2020 Share Option Scheme during the six-month period ended 30 June 2021.



# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 17. Related Party Transactions

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

	Notes	Six-month period ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited) (Restated)
<b>Continuing Operations</b>			
Guarantee fee paid and payable to a substantial shareholder of the Company	(i)	320	280
Licence fee for office premises payable to an associate of a substantial shareholder of the Company	(ii)	119	–

Notes:

- (i) A substantial shareholder of the Company (the “Guarantor”) has guaranteed and indemnified the obligations of Ace Profit Investment Limited, an indirect wholly-owned subsidiary of the Company, under the Contract mentioned in Note 10 to the Interim Financial Information with a maximum liability of US\$75,000,000. The Group shall pay a capped sum of HK\$5,000,000 to the Guarantor in respect of each calendar year from the date of the guarantee becoming unconditional until none of the obligations and undertakings of the Guarantor remains in full force and effect. The Group incurred the guarantee fee of US\$320,000 for the six-month period ended 30 June 2021 (six-month period ended 30 June 2020: US\$280,000 (restated)).

As a form of financial assistance (as defined in the Listing Rules) received by the Group from a connected person of the Company, the provision of the above guarantee and indemnity (together with the above maximum annual fee) by the Guarantor was conducted on normal commercial terms and not secured by the assets of the Group. Accordingly, such financial assistance is fully exempt from the disclosure and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

- (ii) Licence fee was charged in accordance with the licence agreement entered into between the Company and an associate (as defined in the Listing Rules) of a substantial shareholder (as defined in the Listing Rules) of the Company for the right to use and occupy office premises. This transaction was conducted on normal commercial terms and in the usual and ordinary course of business of the Group and constitutes a de minimis continuing connected transaction which is fully exempt from the disclosure, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 17. Related Party Transactions *(Continued)*

### (b) Outstanding balances with related parties

As at 30 June 2021, the Group had an outstanding balance due to an associate of a substantial shareholder of the Company of US\$119,000.

As at 31 December 2020, the Group had an outstanding balance due to a substantial shareholder of the Company of US\$55,000.

The above balances were unsecured, interest-free and repayable on demand.

Except as disclosed elsewhere in the Interim Financial Information, there were no material balances with related parties as at 30 June 2021 and 31 December 2020.

### (c) Compensation of key management personnel

	<b>Six-month period ended 30 June</b>	
	<b>2021 US\$'000 (Unaudited)</b>	2020 US\$'000 (Unaudited) (Restated)
Directors' fees	<b>54</b>	51
Salaries, allowances and benefits in kind	<b>255</b>	313
Pension scheme contributions	<b>2</b>	2
	<b>311</b>	366

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 above, there was no significant compensation arrangement to the Group's key management personnel during the six-month periods ended 30 June 2021 and 2020.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments

### Fair value

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
<b>Financial assets</b>				
Trade and bills receivables at fair value through profit or loss	99,643	95,852	99,643	95,852
Other current financial assets at fair value through profit or loss	6,492	–	6,492	–
	<b>106,135</b>	95,852	<b>106,135</b>	95,852
<b>Financial liabilities</b>				
Trade and bills payables at fair value through profit or loss	100,928	81,452	100,928	81,452

Management has assessed that the fair values of trade and bills receivables at amortised cost, other current financial assets at amortised cost, restricted bank deposits, cash and cash equivalents, trade and bills payables at amortised cost, other current financial liabilities at amortised cost and the current portion of interest-bearing bank and other borrowings (other than lease liabilities) approximate to their carrying amounts largely due to the short-term maturities of these instruments.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments *(Continued)*

### **Fair value** *(Continued)*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The fair values of trade and bills receivables and trade and bills payables classified as financial assets at fair value through profit and loss and financial liabilities at fair value through profit and loss respectively are determined by incorporating market observable inputs sourced from applicable iron ore indices published by S&P Global Platts, which is a source of benchmark assessment of the spot price of the physical iron ores, published daily or regularly and quoted on a US\$ per dry metric tonne basis.
- The Group enters into derivative financial instruments with various counterparties. Derivative financial instruments, including principally commodities futures or swap contracts, are measured with reference to the commodity's quoted market prices.

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 18. Fair Value and Fair Value Hierarchy of Financial Instruments *(Continued)*

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

#### (a) Assets and liabilities measure at fair value

As at 30 June 2021

	Fair value measurement using			Total US\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$'000 (Unaudited)	Significant observable inputs (Level 2) US\$'000 (Unaudited)	Significant unobservable inputs (Level 3) US\$'000 (Unaudited)	
<b>Financial assets:</b>				
Trade and bills receivables	–	99,643	–	99,643
Other current financial assets at fair value through profit or loss	6,492	–	–	6,492
	<b>6,492</b>	<b>99,643</b>	<b>–</b>	<b>106,135</b>
<b>Financial liabilities:</b>				
Trade and bills payables	–	100,928	–	100,928

As at 31 December 2020

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
<b>Financial assets:</b>				
Trade and bills receivables	–	95,852	–	95,852
<b>Financial liabilities:</b>				
Trade and bills payables	–	81,452	–	81,452

# Notes to Interim Condensed Consolidated Financial Information

Six-month period ended 30 June 2021

## 19. Comparative Amounts

As explained in Note 2.1 to the Interim Financial Information, because of the change in presentation currency from 1 July 2020, the comparative Interim Financial Information have been restated and presented in US\$ as if US\$ had been the Group's presentation currency in the prior periods.

## 20. Approval of the Interim Financial Information

The Interim Financial Information were approved and authorised for issue by the board of directors of the Company on 26 August 2021.



# Other Information

## Corporate Governance Practices

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Code Provisions and, where appropriate, Recommended Best Practices as set out in the CG Code 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.

During the Reporting Period, the Company did not have a chief executive officer and the function was discharged by the executive Director other than the chairman of the Board and the management of the Group collectively.

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

## Model Code for Securities Transactions by Directors

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

## Changes in Director's Information

The changes in the Director's information since the disclosure made in the Annual Report 2020 are set out below:

<b>Name of Director</b>	<b>Details of Changes</b>
Mr. Lee Kwan Hung, Eddie	Resigned as an Independent non-executive director of China BlueChemical Ltd. (stock code: 3983), a company listed on the main board of the Stock Exchange, and at the same time ceased to be the chairman of its remuneration committee and a member of each of its audit committee, nomination committee and investment review committee with effect from 27 May 2021.
Mr. Shin Yick, Fabian	Resigned from membership and ceased to be a fellow member of the Hong Kong Institute of Certified Public Accountants with effect from 31 August 2021.

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.

## Other Information

### Audit Committee and Review of Interim Results

The Audit Committee was established in accordance with requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls, and external and internal audits. All three members of the Audit Committee are independent non-executive Directors, namely Mr. Tsui King Fai (chairman), Mr. Lee Kwan Hung, Eddie and Mr. Shin Yick, Fabian. All members of the Audit Committee possess appropriate professional qualifications, including membership of the Hong Kong Institute of Certified Public Accountants, and/or expertise in legal, business, investment and financial management matters. The Audit Committee has reviewed the unaudited interim results and the interim report of the Company containing unaudited interim condensed consolidated financial information of the Group for the Reporting Period and the accounting principles and practices adopted by the Group and has no disagreement with such accounting treatments adopted by the Group. In addition, the Company's auditor, Messrs. Ernst & Young has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 the 2020 Share Option Scheme on 12 June 2020. No share option had been granted under this share option scheme during the Reporting Period (Note 16 to the interim condensed consolidated financial information).

## Other Information

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

#### Long Position in Shares

As at 30 June 2021, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
Mak Siu Hang, Viola <sup>(1)</sup>	Interest of controlled corporation	1,149,744,000	28.74%
VMS Investment Group Limited ("VMSIG") <sup>(1)</sup>	Beneficial interest, interest of controlled corporation	1,149,744,000	28.74%
Fast Fortune Holdings Limited ("Fast Fortune") <sup>(1)</sup>	Beneficial interest	360,000,000	9.00%
Shougang Group Co., Ltd. <sup>(2)</sup>	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong") <sup>(2)</sup>	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune") <sup>(2)</sup>	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All") <sup>(2)</sup>	Beneficial interest	728,570,000	18.21%
Cheng Yu Tung Family (Holdings) Limited <sup>(3)</sup>	Interest of controlled corporation	620,000,000	15.50%
Cheng Yu Tung Family (Holdings II) Limited <sup>(4)</sup>	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Capital Limited ("CTF Capital") <sup>(5)</sup>	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook (Holding) Limited ("CTF Holding") <sup>(6)</sup>	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises") <sup>(7)</sup>	Interest of controlled corporation	620,000,000	15.50%
New World Development Company Limited ("NWD") <sup>(8)</sup>	Interest of controlled corporation	620,000,000	15.50%
NWS Holdings Limited ("NWS") <sup>(9)</sup>	Interest of controlled corporation	620,000,000	15.50%
NWS Resources Limited ("NWS Resources") <sup>(9)</sup>	Interest of controlled corporation	620,000,000	15.50%
NWS Mining Limited ("NWS Mining") <sup>(9)</sup>	Interest of controlled corporation	620,000,000	15.50%
Modern Global Holdings Limited ("Modern Global") <sup>(9)</sup>	Interest of controlled corporation	620,000,000	15.50%
Perfect Move Limited ("Perfect Move") <sup>(9)</sup>	Interest of controlled corporation	620,000,000	15.50%
Faithful Boom Investments Limited ("Faithful Boom") <sup>(9)</sup>	Beneficial interest	620,000,000	15.50%

## Other Information

### Substantial Shareholders' and Other Parties' Interests in Shares and Underlying Shares *(Continued)*

#### Long Position in Shares *(Continued)*

Notes:

- (1) Fast Fortune and VMSIG held 360,000,000 Shares and 789,744,000 Shares as beneficial owners, respectively. Ms. Mak Siu Hang, Viola held a 100% direct interest in VMSIG. Fast Fortune was a wholly-owned subsidiary of VMSIG. Therefore, Ms. Mak Siu Hang, Viola was deemed to be interested in all the Shares held by each of VMSIG and Fast Fortune, and VMSIG was deemed to be interested in all the Shares held by Fast Fortune.
- (2) Shougang Group Co., Ltd. held a 100% direct interest in Shougang Hong Kong. Lord Fortune and Plus All were wholly-owned subsidiaries of Shougang Hong Kong. Therefore, Shougang Group Co., Ltd. and Shougang Hong Kong were both deemed to be interested in all the Shares held by Lord Fortune and Plus All.
- (3) Cheng Yu Tung Family (Holdings) Limited held approximately 48.98% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares deemed to be interested by CTF Capital.
- (4) Cheng Yu Tung Family (Holdings II) Limited held approximately 46.65% direct interest in CTF Capital and was accordingly deemed to have an interest in the Shares deemed to be interested by CTF Capital.
- (5) CTF Capital held approximately 81.03% direct interest in CTF Holding and was accordingly deemed to have an interest in the Shares deemed to be interested by CTF Holding.
- (6) CTF Holding held 100% direct interest in CTF Enterprises and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by CTF Enterprises.
- (7) CTF Enterprises held more than one-third of the issued shares of NWD and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWD.
- (8) NWD held more than 60% direct interest in NWS and was accordingly deemed to have an interest in the Shares interested by or deemed to be interested by NWS.
- (9) NWS held a 100% direct interest in NWS Resources, which held a 100% direct interest in NWS Mining. NWS Mining held a 100% interest in Modern Global, which held a 100% direct interest in Perfect Move. Faithful Boom was a wholly-owned subsidiary of Perfect Move. Therefore, NWS, NWS Resources, NWS Mining, Modern Global and Perfect Move were all deemed to be interested in all the Shares held by Faithful Boom.

Save as disclosed above, the Directors are not aware of any persons who, as at 30 June 2021, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

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

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

# Glossary of Terms

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

“Ace Profit”	Ace Profit Investment Limited (向利投資有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company with its principal activities being the supply and trading of iron ore
“AGM”	an annual general meeting of the Company
“Annual Report 2020”	the annual report of the Company for the year ended 31 December 2020
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to 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
“Corresponding Prior Period”	the six-month period ended 30 June 2020
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Group’s entire interests in Venca Investments Limited (永佳投資有限公司), a limited liability company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company prior to the completion of the disposal
“Group”	the Company and its subsidiaries collectively
“Hematite Mine”	the hematite mine situated at Koolan Island, Western Australia
“Hematite Ore(s)”	the iron ore(s) of high-grade for direct shipping ore sales
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong

## Glossary of Terms

“Koolan”	Koolan Iron Ore Pty Limited, a company incorporated in Australia, the registered holder of the Hematite Mine and an indirect wholly-owned subsidiary of MGI
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MGI”	Mount Gibson Iron Limited, a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Mt”	megatonne(s)/million tonnes
“Reporting Period”	the six-month period ended 30 June 2021
“Restated Long Term Hematite Supply Agreement”	the amended and restated Koolan Island long term hematite ore sale agreement entered into by MGI, Koolan, the Company and Ace Profit under a deed of novation, amendment and restatement dated 31 May 2019 among all original parties to the Koolan Island long term ore sale agreement and the Group. Pursuant to the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase Hematite Ores to be derived from the Hematite Mine in such annual quantity as equals 80% of Koolan’s total available production during each contract year at the agreed market pricing formulae for the period from the effective time of the aforesaid deed of novation, amendment and restatement to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company

## Glossary of Terms

“Shareholder(s)”	holder(s) of issued Share(s)
“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
“US\$” or “USD”	the United States dollar, the lawful currency of the United States of America



# Corporate Information

## Board of Directors

### Executive Directors

Mr. Chong Tin Lung, Benny (*Chairman*)  
Mr. Luk Yue Kan

### Independent Non-executive Directors

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

## Board Committees

### Audit Committee

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

### Remuneration Committee

Mr. Lee Kwan Hung, Eddie (*Chairman*)  
Mr. Chong Tin Lung, Benny  
Mr. Tsui King Fai  
Mr. Shin Yick, Fabian

### Nomination Committee

Mr. Lee Kwan Hung, Eddie (*Chairman*)  
Mr. Chong Tin Lung, Benny  
Mr. Tsui King Fai  
Mr. Shin Yick, Fabian

### Investment Committee

Mr. Chong Tin Lung, Benny (*Chairman*)  
Mr. Luk Yue Kan

## Company Secretary

Mr. Luk Yue Kan

## Registered Office

P.O. Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

## Principal Place of Business in Hong Kong

49th Floor, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

## Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3, Building D  
P.O. Box 1586, Gardenia Court, Camana Bay  
Grand Cayman, KY1-1100  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

# Corporate Information

## Auditor

Ernst & Young  
Certified Public Accountants  
Public Interest Entity Auditor registered in accordance  
with the Financial Reporting Council Ordinance  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## Solicitors

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

## Principal Bankers

Agricultural Bank of China Limited, Hong Kong Branch  
Bank of Communications Co., Ltd., Hong Kong Branch  
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:

Newton Resources Ltd  
49th Floor, One Exchange Square  
8 Connaught Place  
Central, Hong Kong  
Tel : (852) 2521 8168  
Fax : (852) 2521 8117  
Email : [ir@newton-resources.com](mailto:ir@newton-resources.com)

## Website

[www.newton-resources.com](http://www.newton-resources.com)



**新礦資源有限公司**  
NEWTON RESOURCES LTD

49th Floor, One Exchange Square,  
8 Connaught Place, Central, Hong Kong  
Tel: (852) 2521 8168  
Fax: (852) 2521 8117

[www.newton-resources.com](http://www.newton-resources.com)

