新礦資源有限公司
NEWTON RESOURCES LTD

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

INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

The Board wishes to announce the unaudited consolidated interim results of the Group for the Reporting Period together with the comparative figures for the Corresponding Prior Period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six-month period ended 30 June 2022

		Six-month period ended 30 June	
	Notes	**2022** **US$'000** **(Unaudited)**	2021 *US$'000* (Unaudited)
Revenue	*3*	**108,650**	248,608
Cost of sales		**(105,236)**	(239,969)
Gross profit		**3,414**	8,639
Other income and gains, net		**(35)**	56
Selling and distribution costs		**(1,415)**	(2,009)
Administrative expenses		**(1,156)**	(1,379)
Other expenses		**–**	(2,950)
Finance expense		**(446)**	(550)
Share of losses of an associate		**(7)**	(9)
Profit before tax	*4*	**355**	1,798
Income tax expenses	*5*	**(169)**	(639)
Profit for the period		**186**	1,159

	Notes	Six-month period ended 30 June **2022** ***US$'000*** **(Unaudited)**	2021 *US$'000* (Unaudited)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**10**	(25)
Other comprehensive income for the period, net of tax		**10**	(25)
Total comprehensive income for the period		**196**	1,134
Profit/(loss) for the period attributable to:			
Owners of the Company		**240**	1,211
Non-controlling interests		**(54)**	(52)
		186	1,159
Total comprehensive income for the period attributable to:			
Owners of the Company		**245**	1,186
Non-controlling interests		**(49)**	(52)
		196	1,134
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted *(US cents)*		**0.01**	0.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 US$'000 (Unaudited)	31 December 2021 US$'000 (Audited)
Non-current assets			
Property, plant and equipment		**219**	268
Right-of-use assets		**223**	317
Other long-term asset		**14,445**	15,180
Investment in an associate		**215**	234
Total non-current assets		**15,102**	15,999
Current assets			
Trade and bills receivables	*8*	**17,490**	1,199
Other current financial assets		**5,265**	5,722
Prepayments and other receivables		**15,496**	153
Income tax recoverables		**3**	174
Cash and cash equivalents		**12,748**	14,504
Total current assets		**51,002**	21,752
Current liabilities			
Trade and bills payables	*9*	**15,993**	1,474
Other current financial liabilities		**2,214**	281
Contract liability		**952**	–
Other payables and accruals		**11,694**	298
Interest-bearing bank and other borrowings		**4,694**	5,295
Income tax payables		**15**	15
Total current liabilities		**35,562**	7,363
Net current assets		**15,440**	14,389
Total assets less current liabilities		**30,542**	30,388
Non-current liabilities			
Interest-bearing bank and other borrowings		**116**	158
Total non-current liabilities		**116**	158
Net assets		**30,426**	30,230
Equity			
Equity attributable to owners of the Company			
Share capital		**46,890**	46,890
Reserves		**(17,409)**	(17,654)
		29,481	29,236
Non-controlling interests		**945**	994
Total equity		**30,426**	30,230

NOTES:

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six-month period ended 30 June 2022 (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 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 Annual Report 2021.

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 annual consolidated financial statements for the year ended 31 December 2021, 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 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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.

3. REVENUE AND SEGMENT INFORMATION

During the Reporting Period, the principal activities of the Group included sourcing and supply of iron ores and other commodities (the "Resources Business"). The Resources Business was the only reportable business segment of the Group during the six-month periods ended 30 June 2022 and 2021.

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2022	2021
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**110,874**	217,395
Revenue from other sources:		
Quotation period price adjustments *(Note)*		
– relating to prior period shipments	**–**	7,029
– relating to current period shipments	**(4,039)**	23,853
Net gains on iron ore futures or swap contracts	**1,815**	331
	108,650	248,608

Note: The Group has continued to adopt the provisional pricing arrangements for the sales of certain iron ore products and those sales to the customers are subject to future quotation periods (the "QPs") that differ from the periods that the inventories are delivered and finalising the iron ore selling prices based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices of 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, such revenue from contracts with customers 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 occur 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 are recognised as "revenue from other sources" and included in "quotation period price adjustments" above. As at 30 June 2022, certain of the Group's revenue, that was recognised subject to provisional pricing adjustments, has yet to be finalised, which would be finalised usually within three months after the inventories were delivered.

Disaggregated revenue information for revenue from contracts with customers

	Six-month period ended 30 June	
	2022	2021
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Types of goods/services		
Sale of iron ores	**99,595**	209,831
Shipping services	**11,279**	7,564
Total revenue from contracts with customers	**110,874**	217,395
Geographical markets *(Note)*		
Mainland China	**103,450**	217,395
Others	**7,424**	–
Total revenue from contracts with customers	**110,874**	217,395
Timing of revenue recognition		
Goods transferred at a point in time	**99,595**	209,831
Services transferred over time	**11,279**	7,564
Total revenue from contracts with customers	**110,874**	217,395

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

4. PROFIT BEFORE TAX

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

	Six-month period ended 30 June	
	2022	2021
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**89,949**	242,532
Shipping costs	**11,279**	7,564
Net losses/(gains) on iron ore futures or swap contracts included in cost of sales	**3,273**	(10,668)
Amortisation of other long-term asset included in cost of sales	**735**	541
Depreciation of items of property, plant and equipment	**53**	19
Depreciation of right-of-use assets	**94**	55
Interest on bank and other borrowings	**162**	221
Impairment loss on other current financial asset	**–**	1,318
Provision for onerous contract	**–**	1,632

5. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the Reporting Period, 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 (2021: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%).

	Six-month period ended 30 June	
	2022	2021
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong profits tax	**169**	639

6. DIVIDEND

The directors do not recommend the payment of an interim dividend to Shareholders for the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: Nil).

7. 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 2022 and 2021.

The calculation of basic earnings per share is based on:

	Six-month period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation *(US$'000)*	**240**	1,211
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**	4,000,000

Diluted earnings per share amounts were the same as the basic earnings per share amounts as the Company had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2022 and 2021.

8. TRADE AND BILLS RECEIVABLES

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Bills receivable	**17,490**	1,199

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 2022 and 31 December 2021, the Group's trade and bills receivables were non-interest-bearing.

Set out below is the measurement of trade and bills receivables of the Group as at 30 June 2022 and 31 December 2021.

	30 June 2022 *US$'000* **(Unaudited)**	31 December 2021 *US$'000* (Audited)
Trade and bills receivables		
– at amortised cost	**–**	1,199
– at fair value through profit or loss *(Note)*	**17,490**	–
Total	**17,490**	1,199

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 were measured at the estimated forward commodity prices for the relevant QPs and amounted to US$17,490,000 at 30 June 2022 (31 December 2021: Nil) and were stated at the fair value.

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

	30 June 2022 *US$'000* **(Unaudited)**	31 December 2021 *US$'000* (Audited)
Within 3 months	**17,490**	1,199

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables measured at amortised cost. The Group did not have any trade receivable at amortised cost as at 30 June 2022, therefore, there was no credit risk related to the receivables at amortised cost.

9. 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 2022, the Group's bills payable amounted to US$15,593,000 (31 December 2021: US$1,188,000). 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:

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 3 months	**15,993**	1,465
3 months to 1 year	**–**	9
	15,993	1,474

The Group's trade and bills payables were non-interest-bearing as at 30 June 2022 and 31 December 2021.

Set out below is the measurement of trade and bills payables of the Group as at 30 June 2022 and 31 December 2021.

	30 June 2022	31 December 2021
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bills payables		
– at amortised cost	**400**	1,474
– at fair value through profit or loss *(Note)*	**15,593**	–
Total	**15,993**	1,474

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, amounting to US$15,593,000, were measured at the estimated forward commodity prices for the relevant QPs at 30 June 2022 (31 December 2021: Nil) and were stated at the fair value.

CHAIRMAN'S STATEMENT

On behalf of the Board, I herewith present the interim results of the Company for the Reporting Period.

The global economy enters 2022 in a weaker position than previously expected. The Group continued to put substantive efforts to develop the Resources Business throughout the Reporting Period. As a distributor, the Group coordinated with different suppliers to source commodities from multiple sources and made available such commodities to the customers as a package and organised shipments and delivery of the commodities.

The complex and difficult business environment faced by the Group during the Reporting Period is affected by, among others, the ongoing COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions with adverse impacts on the economy in China and across the globe, highly volatile and decreasing iron ore market prices, and reduced demand of iron ores by the Chinese steel mills due to the poor profitability and weak demand of steel.

Attributed to the substantial decrease in the Group's business volume and highly volatile and decreasing iron ore market prices year-on-year, the Group experienced a drop in the revenue and the net profit for the Reporting Period as compared to those for the Corresponding Prior Period.

In the second half of 2022, according to our supplier, the supply of the Hematite Ores sourced from Koolan is originally expected to improve. Unfortunately, attributed to a recent fire incident at the Hematite Mine in mid-August 2022 affecting their processing plant, the supply of Hematite Ores sourced from Koolan would be affected. While the mining and other site activities in the Hematite Mine were not directly affected and will continue based on the latest assessment of Koolan, they had a recovery plan to process and gradually recover the supply of iron ores back to approximately 70% of the normal ore processing capacity of the Hematite Mine for an interim period. Such temporal supply disruption, coupled with the volatile iron ore prices and the difficult business environment as mentioned, are expected to slow down the Group's sales of Hematite Ores for the rest of 2022. The Group will closely follow up with Koolan on the shipment updates. As there are other suppliers which the Group could source the supply of iron ores from, it is expected that the Group would be able to obtain alternative sources of iron ore supply to satisfy customers' demands as needed.

Iron ore prices have been volatile since hitting a record in May 2021 and have been fast-changing since then. Despite the difficult business environment and the aforesaid uncertainties and challenges, our business development team shall keep abreast of the business and market development and take the necessary steps to secure the swift sales of iron ores.

Taking this opportunity, I would like to express my sincerest gratitude to my fellow Board members, our management, our business development team and all the staff members for their dedication and commitment. On behalf of the Board, I would like to express my sincere thanks to all Shareholders, customers, suppliers, banks and business partners for their unwavering support.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June	
	2022	2021
	US$'000	*US$'000*
Revenue	**108,650**	248,608
Gross profit	**3,414**	8,639
Profit for the period	**186**	1,159
Basic earnings per share *(US cents)*	**0.01**	0.03

	30 June	31 December
	2022	2021
	US$'000	*US$'000*
Total assets	**66,104**	37,751
Total equity	**30,426**	30,230
Net cash position[1]	**7,938**	9,051

	30 June	31 December
	2022	2021
Liquidity ratio[2]	**1.4**	3.0

[1] Net cash position is defined as cash and cash equivalents less interest-bearing bank and other borrowings

[2] Liquidity ratio is computed as total current assets divided by total current liabilities

OUR RESOURCES BUSINESS

The Group continued to employ a distributorship business model that involved the sourcing and supply of iron ores and other commodities during the Reporting Period. With our experience, expertise and know-how in relation to iron ores and other commodities, the Group also offered a range of value-added services. In particular, the Group matched 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 mines could be effectively brought to the customers in need at the appropriate time. As a distributor, the Group provided support in the areas of supplier management and logistics. The Group coordinated with different suppliers to source commodities from multiple sources and made available such commodities to the customers as a package where necessary. The Group also organised shipments and delivery of the commodities to the customers.

BUSINESS AND OPERATIONAL REVIEW

The Group's revenue for the Reporting Period amounted to approximately US$108.7 million (approximately US$248.6 million for the Corresponding Prior Period), decreased by about 56% year-on-year ("YOY"). The Group purchased and sold about 0.8 Mt of iron ores (about 1.5 Mt for the Corresponding Prior Period), comprising about 0.6 Mt of Hematite Ores sourced from Koolan and about 0.2 Mt of iron ores sourced from other mines during the Reporting Period (about 0.5 Mt and 1.0 Mt respectively for the Corresponding Prior Period). The Group recorded a gross profit of approximately US$3.4 million for the Reporting Period (approximately US$8.6 million for the Corresponding Prior Period) and a net profit for the Reporting Period of approximately US$0.2 million (approximately US$1.2 million for the Corresponding Prior Period). The deterioration in the interim results of the Group was mainly attributed to the decrease in gross profit of approximately US$5.2 million while the absence of the provision made for onerous contract and the impairment loss of approximately US$2.9 million, in aggregate, recognised for the Corresponding Prior Period and the corresponding reduction in the operating outlays by approximately US$0.8 million YOY had mitigated the impact of such decline in gross profit on the financial results of the Group for the Reporting Period.

Our Market and Product Prices

The Group continued to put substantive efforts to develop the Resources Business. In order to support the Resources Business, the Group has a business development team (the "Business Development Team") which is responsible for liaison with suppliers and vessel owners for commodities supply and delivery, identification of and securing new customers, developing the customer network, and the execution of hedging orders.

The global economy enters 2022 in a weaker position than previously expected. As the coronavirus disease 2019 ("COVID-19") new Omicron variant spreads, countries have re-imposed mobility restrictions. Rising energy prices and supply chain disruptions have resulted in higher and more broad-based inflation than anticipated. Global economic growth is expected to moderate from about 5.9% in 2021 to about 4.4% in 2022.

The Chinese economy also faced marked increases of downward pressure in the second quarter of 2022 ("Q2 2022") due to a complex global environment, pandemic-induced disruptions related to the zero-tolerance COVID-19 policy and protracted financial stress among property developers. In China, the GDP grew about 0.4% YOY in Q2 2022 and expanded about 2.5% YOY during the Reporting Period.

The ongoing retrenchment of China's property and construction sector has limited economic growth prospects. China's property and construction sector, the most important steel demand driver in China, was bearish since the second half of 2021 as poor profitability and debt crisis of certain sizeable property developers continued to plague the property industry which could have big implications for Chinese steel and iron ore demand. According to the National Development and Reform Commission, crude steel production for the first half of 2022, as compared to the same period in 2021, dropped by about 6.5% in China.

The prices of coal, coke and other major fuels remained at high levels resulting in a material increase in the fuel costs of steel production and a significant squeeze on the profitability of the steel mills in the industry. The iron ore demand falters on thin or negative steel margins. Some Chinese steel mills, especially the private ones, have started to cut steel output voluntarily as weak steel demand dragged down their margins significantly. Also, some blast furnaces were shut down for maintenance in order to soften the blow from weak steel demand and high inventories during the Reporting Period, according to sources.

Iron ore prices have been volatile, with the Platts 62% Fe CFR North China index (the "Platts IODEX Price") up about 33% to approximately US$158 per tonne at the end of the first quarter of 2022, as compared to the beginning of the year. Since late February 2022, supply concerns due to the Russia-Ukraine conflict have outweighed muted demand growth and a crackdown on speculative iron ore trading behaviour in China. However, lockdowns of various major cities due to COVID-19 in China in Q2 2022 posed greater uncertainty and downside pressure to the construction activities and the Platts IODEX Price trended downwards to approximately US$120 per tonne at the end of Q2 2022.

In China, Australian iron ores remain the largest source of overseas supply. The political tensions between China and Australia may affect the Australian iron ore import to China and China is exploring ways to diversify away from Australian iron ores in the long run. 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.

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 variable iron grade of Hematite Ores, the volatile and fast-moving seaborne iron ore prices, and expensive freight rates during the Reporting Period have added difficulties and created challenges to the Resources Business, in particular, in trade negotiation, product pricing and execution of hedging strategy and hedging instruments.

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

Our Suppliers and Customers

The Group continued to procure the Hematite Ores extracted from the Hematite Mine under the Restated Long Term Hematite Ore Supply Agreement on a Free on Board basis from Australia during the Reporting Period. The Group also sourced iron ore supplies from other overseas mines from time to time on Cost and Freight incoterms basis ("CFR").

During the Reporting Period, the Group has been working on strengthening its customer business network so that the Group can develop and improve customer relations with good business continuity and repeated orders so as to support its business with sustainable growth in the years ahead. The Group's customers included the sourcing arms of steel mills and the trading arms of state-owned enterprises, as well as end-users of the commodities.

The complex and difficult business environment faced by the Group is affected by, among others, the ongoing COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions with adverse impacts on the economy in China and across the globe, highly volatile and decreasing iron ore market prices, and reduced demand of iron ores by the Chinese steel mills due to poor profitability and weak demand of steel. As a result, the Group's business volume and average unit selling prices for the sales of iron ores decreased, resulting in the overall reduction in the revenue and gross profit and the Group's sourcing of iron ores from other mines for the Reporting Period as compared to those recorded for the Corresponding Prior Period.

As disclosed in the Company's previous annual reports, our long-term supplier, Koolan, commenced the scheduled overburden stripping programme at the Hematite Mine in the second half of 2020. According to our supplier, the overburden stripping programme at the Hematite Mine has largely completed by the end of Q2 2022. The iron grade of Hematite Ores sold during the Reporting Period gradually improved with an average of about 63% Fe (about 58% Fe for the Corresponding Prior Period).

Our Hedging Strategy

The Group continued to adopt hedging tools such as iron ore futures or swaps contracts that were cleared through Singapore Exchange Securities Trading Limited or the Stock Exchange to manage the operational risks that might arise from the Resources Business. Through these hedging instruments, the Group had 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 arose from movements in the benchmark prices and market indices under different QPs during the Reporting Period. The Group's Business Development Team and the hedging executives were responsible for managing the Group's exposure to iron ore price fluctuations through business negotiations and by setting out and executing the approved hedging strategy and hedging instruments from time to time, respectively.

During the Reporting Period, the Group recognised net gains of approximately US$1.8 million (net gains of approximately US$0.3 million for the Corresponding Prior Period) and net losses of approximately US$3.3 million (net gains of approximately US$10.7 million for the Corresponding Prior Period) from the hedging transactions in the Group's revenue and cost of sales, respectively.

Shipping of Our Iron Ores

The Group continued to engage the shipping service providers under chartering during the Reporting Period. Attributed to the ongoing COVID-19 pandemic, the nominated vessels were required to observe various protocols and measures implemented by various governments to reduce the risk of virus transmission during the Reporting Period. The Group's revenue attributed to the provision of iron ore shipping services amounted to approximately US$11.3 million (approximately US$7.6 million for the Corresponding Prior Period). In line with the persistently high relevant sea freight index as quoted on the Baltic Exchange and the high fuel costs, the Group has continued to bear higher shipment costs during the Reporting Period, as compared to the Corresponding Prior Period.

FINANCIAL REVIEW

Revenue

The Group recognised revenue from the sales of iron ores under provisional pricing arrangements on a gross basis, service income from the shipping of cargoes, fair value adjustments 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 of approximately US$108.7 million (approximately US$248.6 million for the Corresponding Prior Period), representing a decline of about 56%. The Group sold about 0.8 Mt of iron ores during the Reporting Period (about 1.5 Mt for the Corresponding Prior Period), comprising about 0.6 Mt of Hematite Ores sourced from Koolan (about 0.5 Mt for the Corresponding Prior Period) and about 0.2 Mt of iron ores sourced from other suppliers (about 1.0 Mt for the Corresponding Prior Period).

As mentioned in the "Business and Operational Review" section above, our supplier, Koolan, has nearly completed the overburden stripping programme at the Hematite Mine by the end of the Reporting Period. Therefore, the iron grade of Hematite Ores sold during the Reporting Period gradually improved with an average of about 63% Fe (about 58% Fe for the Corresponding Prior Period) and the average unit selling price of the Hematite Ores sourced from Koolan also increased YOY by about 25%. On the other hand, during the Reporting Period, the supply of iron ores from other mines declined and the Group purchased and sold about 0.2 Mt of iron ores sourced from other suppliers, compared with about 1.0 Mt of iron ores for the Corresponding Prior Period.

The complex and difficult business environment faced by the Group is affected by, among others, the ongoing COVID-19 pandemic with the spread of highly contagious Omicron variant and pandemic-induced mobility restrictions with adverse impacts on the economy in China and across the globe, highly volatile and decreasing iron ore market prices, and reduced demand of iron ores by the Chinese steel mills due to poor profitability and weak demand of steel. As a result, the Group's business volume and average unit selling prices for the sales of iron ores decreased, resulting in the overall reduction in the revenue and gross profit and the Group's sourcing of iron ores from other mines for the Reporting Period as compared to those recorded for the Corresponding Prior Period.

The overall average unit selling price of the Group's iron ores was approximately US$128 per tonne during the Reporting Period (approximately US$166 per tonne for the Corresponding Prior Period), which has taken into account the provisional price of sales, the changes in fair values of the trade receivables and related hedging arrangements and the revenue derived from the provision of shipping services. The decrease in the overall average unit selling price of the Group's iron ores was attributed to the combined effect of the YOY improvement in the average iron grade of Hematite Ores sold during the Reporting Period resulting in few price adjustments for quality and impurities, relatively lower iron ore market indices prevailing during the Reporting Period and trade discounts offered to the customers as a result of weak steel demand and market in China.

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. Attributed to the substantial decrease in the Group's business volume and highly volatile and decreasing iron ore market prices YOY, the Group experienced a drop in the gross profit by approximately US$5.2 million to approximately US$3.4 million for the Reporting Period (approximately US$8.6 million for the Corresponding Prior Period). The Group's gross profit ratio has slightly dropped to about 3.1% for the Reporting Period (about 3.5% for the Corresponding Prior Period).

Results for the Reporting Period

The Group's net profit for the Reporting Period was approximately US$0.2 million (approximately US$1.2 million for the Corresponding Prior Period) and the decrease was mainly attributed to the decrease in gross profit of approximately US$5.2 million while the absence of the provision made for onerous contract and the impairment loss of approximately US$2.9 million, in aggregate, recognised for the Corresponding Prior Period and the corresponding reduction in the operating outlays by approximately US$0.8 million YOY had mitigated the impact of such decline in gross profit on the net profit of the Group for the Reporting Period.

Changes in the Financial Position

The Group had a healthy financial position as at 30 June 2022 with total assets of approximately US$66.1 million (approximately US$37.8 million as at 31 December 2021), which mainly represented the other long-term asset relating to the Restated Long Term Hematite Ore Supply Agreement of approximately US$14.4 million, the trade and bills receivables of approximately US$17.5 million, other current financial assets of approximately US$5.3 million, prepayments and other receivables of approximately US$15.5 million and cash and cash equivalents of approximately US$12.7 million. Attributed to the decreasing iron ore market prices, the Group recognised trade prepayments to the suppliers as at 30 June 2022, resulting in an increase in the prepayments and other receivables by approximately US$15.3 million, as compared to those as at 31 December 2021. Also, attributed to the shipments made before 30 June 2022, the Group's trade and bills receivables increased by approximately US$16.3 million to approximately US$17.5 million as at 30 June 2022, as compared to those as at 31 December 2021.

The Group had total liabilities of approximately US$35.7 million as at 30 June 2022 (approximately US$7.5 million as at 31 December 2021), which mainly represented the trade and bills payables of approximately US$16.0 million, other payables and accruals of approximately US$11.7 million and the aggregate interest-bearing bank and other borrowings of approximately US$4.8 million. The falling iron ore market prices had resulted in the trade receipts in advance as at 30 June 2022 that would be refunded to the customers upon the finalisation of the provisional pricing arrangements. As a result, there was an increase in the other payables and accruals by approximately US$11.4 million, as compared to those as at 31 December 2021. Similar to the trade and bills receivables, the Group recognised an increase in the trade and bills payables by approximately US$14.5 million to approximately US$16.0 million as at 30 June 2022, as compared to those as at 31 December 2021.

The Group's total equity remained steady and increased to approximately US$30.4 million as at 30 June 2022 (approximately US$30.2 million as at 31 December 2021) as a result of the net profit of the Group for the Reporting Period.

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 was principally engaged in the Resources Business throughout the Reporting Period and the Corresponding Prior Period and an analysis of the Group's revenue from contracts with external customers by geographical segment is set out as follows:

	Six-month period ended 30 June	
	2022	2021
	US$'million	*US$'million*
Mainland China	**103.5**	217.4
Others	**7.4**	–
Total revenue from contracts with external customers	**110.9**	217.4

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

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

FINANCIAL RESOURCES, CAPITAL STRUCTURE AND LIQUIDITY

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

As at 30 June 2022, the Group's total equity amounted to approximately US$30.4 million (approximately US$30.2 million as at 31 December 2021). During the Reporting Period, the Group financed the operation by internal financial resources, the interest-bearing bank and other borrowings and the trade finance banking facilities.

As at 30 June 2022, the cash and cash equivalents of the Group amounted to approximately US$12.7 million (approximately US$14.5 million as at 31 December 2021), representing about 19% (about 38% as at 31 December 2021) 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 2022 (about 94% in USD and about 2% in HKD as at 31 December 2021).

The Group had interest-bearing bank and other borrowings of approximately US$4.8 million as at 30 June 2022 (approximately US$5.5 million as at 31 December 2021), about 98% (about 97% as at 31 December 2021) of these borrowings will mature within one year. The decrease in the Group's interest-bearing bank and other borrowings during the Reporting Period was mainly attributable to the repayment of approximately US$0.5 million made by the Group.

The Group's net cash position, i.e. cash and cash equivalents less interest-bearing bank and other borrowings, was then calculated as approximately US$7.9 million as at 30 June 2022 (approximately 9.0 million as at 31 December 2021). Therefore, the Group is not considered to have any net gearing as at 30 June 2022 and 31 December 2021 and the Group's liquidity ratio was about 1.4 as at 30 June 2022 (about 3.0 as at 31 December 2021). The Group's liquidity remains strong as at 30 June 2022.

The Group's interest-bearing bank and other borrowings were denominated in HKD and carried a fixed interest rate as at 30 June 2022 and 31 December 2021. As such, the Group had no material exposure to interest rate fluctuations.

The Group had unutilised committed borrowing facilities and trade finance banking facilities of approximately US$302.5 million, in aggregate, for the Resources Business as at 30 June 2022 (approximately US$353.7 million as at 31 December 2021). The Group will continue to negotiate for new trade finance facilities with banks to support the continual development of the Group's business.

PLEDGE OF ASSETS

As at 30 June 2022 and 31 December 2021, no property, plant and equipment or right-of-use assets or restricted bank deposits were pledged for the Group's bank borrowing or banking facilities.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's business is principally conducted in Hong Kong and most of the transactions are denominated in USD, the Group's functional currency. Since HKD is pegged to USD, the Group's exposure to foreign currency risk in respect of the bank balances and interest-bearing borrowings denominated in HKD is considered to be minimal. Therefore, the Group had no material exposure to exchange rate fluctuation during the Reporting Period. Currently, the Group does not have any foreign currency hedging policy.

EXPOSURE TO FLUCTUATIONS IN COMMODITY PRICES

During the Reporting Period, the Group continues to manage the exposure to 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 executing approved hedging strategies 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 during the Reporting Period was the Platts IODEX Price.

During the Reporting Period, the Group recognised net gains of approximately US$1.8 million (net gains of approximately US$0.3 million for the Corresponding Prior Period) and net losses of approximately US$3.3 million (net gains of approximately US$10.7 million for the Corresponding Prior Period) from the hedging transactions in the Group's revenue and cost of sales, respectively.

As at 30 June 2022, the Group had an aggregate open position of iron ore futures or swap contracts of about 0.5 million tonnes expiring by the end of August 2022 with a negative carrying value of approximately US$1.2 million (Nil as at 31 December 2021) which has been recognised as financial liabilities at fair value through profit or loss and included in the Group's other current financial liabilities.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the Reporting Period, the Group had no significant investments, nor any acquisitions or disposals of subsidiaries, associates, and joint ventures.

The Group did not have any specific future plans for material investments or capital assets as at 30 June 2022. Nevertheless, the Group will continue to explore and evaluate projects and investment opportunities with the potential to create value for the Shareholders in the long run.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had a total of 25 (27 as at 31 December 2021) employees in Hong Kong and Mainland China.

The remuneration packages of the employees are structured by reference to job nature (including geographical locations) and prevailing market conditions and are subject to periodic review. Year-end bonuses and share option scheme are available to reward employees in line with their 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.

The emoluments of the Directors, comprising the Director's fees, salary packages, discretionary bonuses and share options, were reviewed and determined by the Board based on the recommendations from 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 is subject to annual review by the Remuneration Committee and the Board with the authorisation granted by the Shareholders at an annual general meeting of the Company.

The human resources department of the Group is responsible for the collection and administration of the human resources data and for 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 remuneration.

During the Reporting Period, the Group has followed the measures and directives issued by the government and health authorities in the cities where the Group operated and deployed appropriate operation protocols and preventive measures to protect the Group's employees and provide them with a healthy and hygienic working environment within the office premises.

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 quarantine and self-isolation policy, work-from-home policy, and 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 announcement, there was no important event affecting the Group for the period from 30 June 2022 to the date of this announcement.

OUTLOOK AND FUTURE PLANS

China is the world's largest consumer of iron ores and China has been the main driver of iron ore demand for the last 20 years. Despite being the third largest iron ore producer in the world, China still imports around 80% of the iron ores it uses each year.

Going forward, China's demand for steel and iron ores could be impacted by conflicting factors. The country's zero-COVID policy could lead to ongoing lockdowns in major cities, particularly in the face of the highly contagious COVID-19 Omicron variant, which would impact economic activities and reduce the steel and iron ore demands in the PRC. With data pointing to an economic slowdown in China, the expectation of more economic stimulus measures in China conflicting with the reality of the cut in steel output due to poor margins led to a hazy market outlook for the second half of 2022.

The Chinese government recently stressed the importance of meeting annual economic goals, and increasing infrastructure construction to help boost economic growth. A rise in infrastructure construction could boost demand for steel and iron ores. China has also set the goal of significantly increasing its iron ore self-sufficiency. In the 2021-25 raw material development plan, China encourages the domestic exploration of iron ores and the usage of more scrap metals to reduce reliance on imports. However, until this goal is achieved, China remains heavily dependent on imports, with about 60% of shipments coming from Australia.

In July 2022, China's central government formally launched a state-backed iron ore giant to consolidate massive outbound mine investments, as well as coordinate the global purchases of steelmaking materials (including iron ores) for the Chinese state-owned steelmakers. According to sources, the giant's business scope covers mining, ore processing and trading and it aims to stabilise the supply of steelmaking ingredient over the long term.

On the supply side, iron ore prices gained some support in the first half of 2022 due to, among others, concerns about production. Australia has seen a fall in its iron ore output due to labour shortages, partly as a result of the COVID-19 Omicron outbreaks. According to our supplier, Koolan, the supply of Hematite Ores is originally expected to improve in the second half of 2022 as they have largely completed the overburden stripping programme at the Hematite Mine and has re-established mining access to the high-grade orebody. Unfortunately, a fire occurred in mid-August 2022 in the product sizing screen plant at the Hematite Mine and the ore processing through the plant is currently suspended. While the mining and other site activities in the Hematite Mine were not directly affected and will continue based on the latest assessment of Koolan, they had a recovery plan which enable the ore processing to recommence and, to be augmented by the addition of mobile crushing equipment to site, to gradually recover the supply of Hematite Ores back to approximately 70% of the normal ore processing capacity of the Hematite Mine for an interim period. Such temporal supply disruption, coupled with the volatile iron ore prices and the difficult business environment as mentioned, are expected to slow down the Group's sales of Hematite Ores for the rest of 2022. The Business Development Team will closely follow up with Koolan on the shipment updates. As there are other suppliers which the Group could source the supply of iron ores from, it is expected that the Group would be able to obtain alternative sources of iron ore supply to satisfy customers' demands as needed.

Iron ore prices have been volatile since hitting a record in May 2021. According to sources, Chinese steel mills were heard to be more willing to reduce production on poor steel margins and market fundamentals remained weak. The current business and economic environment together with the government stimulus measures, if any, would continue to affect the iron ore prices and cause them to be fast-changing, which inevitably would affect the sales and profitability of the Group for the year. Despite the difficult business environment and the aforesaid uncertainties and challenges, the Business Development Team shall keep abreast of the business and market development and take the necessary steps to secure the swift sales of iron ores.

Looking forward, the Group continues to focus its efforts on optimising the Resources Business and minimising the adverse impact of the ongoing COVID-19 pandemic, weak market demands and supply chain disruptions on the Group. The Group will also continue to identify and explore new supplies of iron ores and other commodities and evaluate and secure possible long-term business 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.

CORPORATE GOVERNANCE PRACTICES

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted all applicable Principles of Good Corporate Governance, Code Provisions and, where appropriate, Recommended Best Practices as set out in part 2 of the CG Code throughout the Reporting Period. So far as known to the Directors, there has been no material deviation from the applicable Code Provisions set out in part 2 of 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.

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.

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.

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange and the Company. The interim report of the Company for the Reporting Period will be despatched to the Shareholders and published on the above websites in due course.

GLOSSARY OF TERMS

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

"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 sourcing and supply of iron ores
"Annual Report 2021"	the annual report of the Company for the year ended 31 December 2021
"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 2021
"Director(s)"	the director(s) of the Company
"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

"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"	million tonnes
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the six-month period ended 30 June 2022
"Restated Long Term Hematite Ore 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 Ore 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
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"tonne(s)"	equal to 1,000 kilograms
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America

By Order of the Board
Newton Resources Ltd
Chong Tin Lung, Benny
Chairman and Executive Director

Hong Kong, 25 August 2022

As at the date of this announcement, the executive Directors are Mr. Chong Tin Lung, Benny, and Mr. Luk Yue Kan; and the independent non-executive Directors are Mr. Tsui King Fai, Mr. Lee Kwan Hung, Eddie and Mr. Shin Yick, Fabian.