新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Interim Report

2022

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I herewith present the interim report 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.

Chong Ting Lung, Benny
Chairman
Hong Kong, 25 August 2022

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 2022	31 December 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 2022	31 December 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

Management Discussion and Analysis

Our Resources Business

The Group continued to employ a distributorship business model that involved 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 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.

Management Discussion and Analysis

Business and Operational Review *(Continued)*

Our Market and Product Prices *(Continued)*

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.

Business and Operational Review *(Continued)*

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 quotation periods 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.

Business and Operational Review *(Continued)*

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.

Financial Review *(Continued)*

Revenue *(Continued)*

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.

Financial Review *(Continued)*

Changes in the Financial Position *(Continued)*

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 US$'million	2021 US$'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 to the condensed consolidated financial information, 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.

Management Discussion and Analysis

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 US$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.

All of 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 upon 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.

Management Discussion and Analysis

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 2022 to the date of this interim report.

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.

Outlook and Future Plans *(Continued)*

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.

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 16 to 36, which comprises the condensed consolidated statement of financial position of Newton Resources Ltd (the "Company") and its subsidiaries (the "Group") as at 30 June 2022 and the related 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 on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting 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

25 August 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six-month period ended 30 June 2022

	Notes	Six-month period ended 30 June 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
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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

Six-month period ended 30 June 2022

	Notes	Six-month period ended 30 June	
		2022	2021
		US$'000	US$'000
		(Unaudited)	(Unaudited)
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	8	**219**	268
Right-of-use assets		**223**	317
Other long-term asset	9	**14,445**	15,180
Investment in an associate		**215**	234
Total non-current assets		**15,102**	15,999
Current assets			
Trade and bills receivables	10	**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	11	**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

Condensed Consolidated Statement of Financial Position

30 June 2022

	Notes	30 June 2022 US$'000 (Unaudited)	31 December 2021 US$'000 (Audited)
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	12	**46,890**	46,890
Reserves		**(17,409)**	(17,654)
		29,481	29,236
Non-controlling interests		**945**	994
Total equity		**30,426**	30,230

Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2022

	Attributable to owners of the Company							
	Share capital US$'000	Share premium account US$'000	Capital reserves US$'000	Exchange fluctuation reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2022 (audited)	**46,890**	**101,684**	**11,466**	**(106)**	**(130,698)**	**29,236**	**994**	**30,230**
Profit/(loss) for the period	**–**	**–**	**–**	**–**	**240**	**240**	**(54)**	**186**
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**5**	**–**	**5**	**5**	**10**
Total comprehensive income for the period	**–**	**–**	**–**	**5**	**240**	**245**	**(49)**	**196**
At 30 June 2022 (unaudited)	**46,890**	**101,684***	**11,466***	**(101)***	**(130,458)***	**29,481**	**945**	**30,426**
At 1 January 2021 (audited)	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 on translation of foreign operations	–	–	–	(25)	–	(25)	–	(25)
Total comprehensive income for the period	–	–	–	(25)	1,211	1,186	(52)	1,134
At 30 June 2021 (unaudited)	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$")17,409,000 in the condensed consolidated statement of financial position as at 30 June 2022.

Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2022

	Six-month period ended 30 June	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Profit before tax	**355**	1,798
Adjustments for:		
Finance costs	**446**	550
Bank interest income	**(3)**	(3)
Share of losses of an associate	**7**	9
Depreciation of items of property, plant and equipment	**53**	19
Depreciation of right-of-use assets	**94**	55
Amortisation of other long-term asset	**735**	541
Impairment loss on other current financial asset	**–**	1,318
Provision for onerous contract	**–**	1,632
Cash flows before working capital changes	**1,687**	5,919
Increase in trade and bills receivables	**(16,291)**	(5,423)
Decrease/(increase) in other current financial assets	**457**	(10,712)
Increase in prepayments and other receivables	**(15,343)**	(382)
Decrease in restricted bank deposits	**–**	1,003
Increase in trade and bills payables	**14,519**	20,180
Increase in other current financial liabilities	**1,933**	1,935
Increase in contract liability	**952**	–
Increase in other payables and accruals	**11,458**	215
Cash (used in)/generated from operations	**(628)**	12,735
Interest received	**3**	3
Hong Kong profits tax paid	**–**	(1)
Net cash flows (used in)/from operating activities	**(625)**	12,737

Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2022

	Six-month period ended 30 June	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Cash flows from investing activities		
Purchase of items of property, plant and equipment	**(5)**	(103)
Net cash flows used in investing activities	**(5)**	(103)
Cash flows from financing activities		
Repayment of bank and other borrowings	**(508)**	(14,496)
Interest and other finance expenses paid	**(486)**	(605)
Principal portion of lease payments	**(93)**	(55)
Net cash flows used in financing activities	**(1,087)**	(15,156)
Net decrease in cash and cash equivalents	**(1,717)**	(2,522)
Cash and cash equivalents at beginning of period	**14,504**	15,190
Effect of foreign exchange rate changes, net	**(39)**	7
Cash and cash equivalents at end of period	**12,748**	12,675
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**9,701**	10,674
Non-pledged time deposits with original maturity of less than three months when acquired	**3,047**	2,001
Cash and cash equivalents at end of period	**12,748**	12,675

Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2022

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 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 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.

3. Revenue and Segment Information *(Continued)*

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 **US$'000** **(Unaudited)**	2021 US$'000 (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 **US$'000** **(Unaudited)**	2021 US$'000 (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. Property, Plant and Equipment

During the six-month period ended 30 June 2022, the Group had addition of items of property, plant and equipment with an aggregate cost amounted to US$5,000 (six-month period ended 30 June 2021: US$103,000).

9. 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 ore supply agreement (the "Contract") as the other long-term asset as at 30 June 2022 and 31 December 2021. The Contract entitled the Group to purchase the hematite ores from the Hematite Mine in an annual quantity that 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 2022 and 2021, the Group had no addition or disposal of other long-term asset.

10. Trade and Bills Receivables

	30 June 2022 US$'000 (Unaudited)	31 December 2021 US$'000 (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.

10. Trade and Bills Receivables *(Continued)*

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.

11. 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 US$'000 (Unaudited)	31 December 2021 US$'000 (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 US$'000 (Unaudited)	31 December 2021 US$'000 (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.

12. Share Capital

Shares

	30 June 2022 HK$'000 (Unaudited)	31 December 2021 HK$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	US$'000 (Unaudited)	US$'000 (Audited)
Issued and fully paid:		
4,000,000,000 ordinary shares of HK$0.1 each, totally HK$400,000,000	**46,890**	46,890

13. Share Option Scheme

The Company adopted a 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. During the six-month period ended 30 June 2022 and up to the date of approval of this interim report, no share option was outstanding, or has been granted, exercised, cancelled or lapsed under the 2020 Share Option Scheme.

14. 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**	
		2022	2021
		US$'000	US$'000
		(Unaudited)	(Unaudited)
Guarantee fee paid and payable to a substantial shareholder of the Company	(i)	**317**	320
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 9 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$317,000 for the six-month period ended 30 June 2022 (six-month period ended 30 June 2021: US$320,000).

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 announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(ii) Licence fee was charged during the six-month period ended 30 June 2021 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 use and occupation of the licenced office premises. This transaction was conducted on normal commercial terms and in the usual and ordinary course of business of the Group and was constituted de minimis continuing connected transaction which was fully exempt from the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

14. Related Party Transactions *(Continued)*

(b) Outstanding balances with related parties

Except as disclosed elsewhere in the Interim Financial Information, there were no material balances with related parties as at 30 June 2022 and 31 December 2021.

(c) Compensation of key management personnel

	Six-month period ended 30 June	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Directors' fees	**54**	54
Salaries, allowances and benefits in kind	**253**	255
Pension scheme contributions	**2**	2
	309	311

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 2022 and 2021.

15. 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 2022 US$'000 (Unaudited)	31 December 2021 US$'000 (Audited)	**30 June 2022 US$'000 (Unaudited)**	31 December 2021 US$'000 (Audited)
Financial assets				
Trade and bills receivables at fair value through profit or loss	**17,490**	–	**17,490**	–
Other receivables at fair value through profit or loss	**14,463**	–	**14,463**	–
	31,953	–	**31,953**	–
Financial liabilities				
Trade and bills payables at fair value through profit or loss	**15,593**	–	**15,593**	–
Other current financial liabilities at fair value through profit or loss (Note)	**1,214**	–	**1,214**	–
Other payables at fair value through profit or loss	**11,130**	–	**11,130**	–
	27,937	–	**27,937**	–

Note: As at 30 June 2022, the Group had an aggregate open position of iron ore futures or swap contracts of 472,000 tonnes expiring by the end of August 2022 with a negative carrying value of US$1,214,000 (31 December 2021: Nil) which has been recognised as financial liabilities at fair value through profit or loss.

Management has assessed that the fair values of trade and bills receivables at amortised cost, other current financial assets at amortised cost, 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.

15. 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, trade and bills payables, other receivables from the suppliers and other payables to the customers classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss are determined by incorporating market observable inputs sourced from applicable iron ore indices published by S&P Global Platts, which are 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.

15. 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:

Assets and liabilities measure at fair value

As at 30 June 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000 (Unaudited)	Significant observable inputs (Level 2) US$'000 (Unaudited)	Significant unobservable inputs (Level 3) US$'000 (Unaudited)	Total US$'000 (Unaudited)
Financial assets:				
Trade and bills receivables	–	17,490	–	17,490
Other receivables	–	14,463	–	14,463
	–	31,953	–	31,953
Financial liabilities:				
Trade and bills payables	–	15,593	–	15,593
Other current financial liabilities at fair value through profit or loss	1,214	–	–	1,214
Other payables	–	11,130	–	11,130
	1,214	26,723	–	27,937

The Group did not have any financial assets or liabilities measured at fair value as at 31 December 2021.

16. 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 25 August 2022.

Other Information

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.

Changes in Director's Information

The changes in the Director's information since the disclosure made in the Annual Report 2021 are set out below:

Name of Director	**Details of Changes**
Mr. Lee Kwan Hung, Eddie	Resigned as an Independent non-executive director of Glory Sun Financial Group Limited (stock code: 1282), a company listed on the main board of the Stock Exchange, and at the same time ceased to be a member of its nomination committee with effect from 17 July 2022.

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 of the Company and this 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 2022, 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 13 to the condensed consolidated financial information).

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

Long Position in Shares

As at 30 June 2022, so far as known to any Director, 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[1]	Interest of controlled corporation	1,149,744,000	28.74%
VMS Investment Group Limited ("VMSIG")[1]	Beneficial interest, interest of controlled corporation	1,149,744,000	28.74%
Fast Fortune Holdings Limited ("Fast Fortune")[1]	Beneficial interest	360,000,000	9.00%
Shougang Group Co., Ltd.[2]	Interest of controlled corporation	1,098,570,000	27.46%
Shougang Holding (Hong Kong) Limited ("Shougang Hong Kong")[2]	Interest of controlled corporation	1,098,570,000	27.46%
Lord Fortune Enterprises Limited ("Lord Fortune")[2]	Beneficial interest	370,000,000	9.25%
Plus All Holdings Limited ("Plus All")[2]	Beneficial interest	728,570,000	18.21%
Cheng Yu Tung Family (Holdings) Limited[3]	Interest of controlled corporation	620,000,000	15.50%
Cheng Yu Tung Family (Holdings II) Limited[4]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Capital Limited ("CTF Capital")[5]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook (Holding) Limited ("CTF Holding")[6]	Interest of controlled corporation	620,000,000	15.50%
Chow Tai Fook Enterprises Limited ("CTF Enterprises")[7]	Interest of controlled corporation	620,000,000	15.50%
New World Development Company Limited ("NWD")[8]	Interest of controlled corporation	620,000,000	15.50%
NWS Holdings Limited ("NWS")[9]	Interest of controlled corporation	620,000,000	15.50%
NWS Resources Limited ("NWS Resources")[9]	Interest of controlled corporation	620,000,000	15.50%
NWS Mining Limited ("NWS Mining")[9]	Interest of controlled corporation	620,000,000	15.50%
Modern Global Holdings Limited ("Modern Global")[9]	Interest of controlled corporation	620,000,000	15.50%
Perfect Move Limited ("Perfect Move")[9]	Interest of controlled corporation	620,000,000	15.50%
Faithful Boom Investments Limited ("Faithful Boom")[9]	Beneficial interest	620,000,000	15.50%

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 2022, 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 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

Glossary of Terms

"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
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tonne(s)"	equal to 1,000 kilograms
"US$" 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

Units 4204-05, 42/F
Dah Sing Financial Centre
248 Queen's Road East
Wan Chai, 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
17/F, Far East Finance Centre
16 Harcourt Road
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

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
Units 4204-05, 42/F
Dah Sing Financial Centre
248 Queen's Road East
Wan Chai, Hong Kong
Tel : (852) 2521 8168
Fax : (852) 2521 8117
Email : ir@newton-resources.com

Website

www.newton-resources.com

新礦資源有限公司
NEWTON RESOURCES LTD

Units 4204-05, 42/F, Dah Sing Financial Centre,
248 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2521 8168
Fax: (852) 2521 8117

www.newton-resources.com

MIX
Paper | Supporting responsible forestry
FSC™ C176382
FSC
www.fsc.org

PRINTED WITH SOYINK™