新礦資源有限公司

NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

Annual Report 2022

Contents

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I herewith present the annual report of Newton Resources Ltd for the year ended 31 December 2022.

For the Reporting Period, the Group recognised revenue from the sales of iron ores (mainly the distribution of Hematite Ores supplied by Koolan, our major supplier) amounting to approximately US$201.5 million (2021: approximately US$292.9 million) and continued to manage the Group's exposure to the fluctuations in the iron ore market indices through business negotiation, hedging tools and derivatives from time to time.

The Chinese steel mills continued to experience weak margins and poor steel profitability in 2022 with bare demand for high-grade iron ores. However, volatility reigned in the iron ore market with prices rallying and falling. The seaborne iron ore prices reached a 3-year low in October 2022 which then rebounded swiftly and significantly amid expectations of a pickup in iron ore demand and the recovery of economic activity faster than initially anticipated. As a result, there was a decrease in the Group's gross profit recorded for the Reporting Period and the Group's net loss for the Reporting Period was approximately US$2.2 million (2021: approximately US$1.8 million).

Looking forward, the Chinese steel mills have maintained a cautious buying stance and are procuring only to fulfil basic needs while the seaborne iron ore prices remained sensitive, fast-moving and highly volatile in early 2023. These have created challenges to the Resources Business, in particular, in trade negotiation, product pricing and execution of hedging strategy and hedging instruments.

On the other hand, China is heading towards economic stability in 2023. I am also happy to see that our major supplier, Koolan, had completed the overburden stripping programme at the Hematite Mine in 2022 and that the high-grade Hematite Ore supply from Koolan has been recovering and is expected to be more stable both in terms of quantity and quality in the years ahead. Our business development team shall continue to keep abreast of the business and market development and take necessary steps to secure the swift sales of iron ores. The Group will also cautiously explore and capture mergers and acquisitions and other collaboration or investment opportunities as appropriate.

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

Chong Tin Lung, Benny
Chairman

Hong Kong, 24 March 2023

Management Discussion and Analysis

Financial Highlights

	2022 US$'000	2021 US$'000
Revenue	**201,487**	292,873
Gross profit	**2,801**	5,399
Loss for the year	**(2,222)**	(1,781)
Basic loss per share (US cents)	**(0.05)**	(0.04)
Total assets	**60,871**	37,751
Total equity	**27,978**	30,230
Net cash position[1]	**6,910**	9,051

	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 Corporate Strategy, Business Model and Culture

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.

Management Discussion and Analysis

Business and Operational Review

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 strategy and hedging instruments.

The Group's revenue for FY 2022 amounted to approximately US$201.5 million (2021: approximately US$292.9 million), decreased by about 31% year-on-year ("YOY"). The Group purchased and sold about 1.7 Mt of iron ores (2021: about 2.2 Mt), comprising about 1.5 Mt of Hematite Ores sourced from Koolan and about 0.2 Mt of iron ores sourced from other mines during the Reporting Period (2021: about 0.9 Mt and 1.3 Mt respectively).

The Group recorded a net loss for the year of approximately US$2.2 million (2021: approximately US$1.8 million). The decline in the financial results of the Group was mainly caused by the YOY decrease in the Group's revenue and gross profit, which was partly offset by the absence of the impairment loss of approximately US$1.3 million recognised for the Corresponding Prior Period and the YOY reduction in the Group's operating outlays by approximately US$0.5 million.

Our Market, Products and Product Prices

During the Reporting Period, the Group's iron ores were mainly priced with reference to the relevant benchmark prices, the Platts 62% Fe CFR North China index (the "Platts IODEX Price") for medium-grade fines and the Platts 65% Fe CFR North China index (the "65 IO Price") for high-grade fines, with price adjustments for quality and impurities where applicable subject to business negotiation, terms of sales, and cargo specifications. To accommodate the needs and requests of the Group's customers and suppliers, the Group has sourced and sold the iron ores with pricing referencing the market indices under different price quotation periods and the hedging tools and derivatives were executed from time to time to mitigate the Group's exposures to the fluctuations in the market indices arising from the difference in price quotation periods of iron ore sales and purchases.

According to our supplier, Koolan has largely completed the overburden stripping programme at the Hematite Mine by 30 June 2022. As a result, the iron grade of the Group's Hematite Ores gradually improved during the Reporting Period from about 63% Fe in the first half of 2022 to about 65% Fe in the second half of 2022 (2021: an average of about 57% Fe). However, the demand for high-grade iron ores from the Chinese steel mills was weak due to poor steel margins and a bearish steel demand outlook that prevailed in China throughout 2022. The easing of coronavirus 2019 ("COVID-19") pandemic precautionary measures in China as announced in December 2022 led to the expectation of rising demand for iron ores and steels going forward and the seaborne iron ore prices had shot up in late 2022 and thereafter. All these added difficulties and created challenges to the Resources Business, in particular, in trade negotiation, product pricing and execution of hedging strategy and hedging instruments.

Business and Operational Review *(Continued)*

Our Market, Products and Product Prices *(Continued)*

China is the world's largest consumer of iron ores and 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.

The Chinese economy continued to face challenges in 2022. In China, COVID-19 outbreaks and its precautionary measures dampened economic activity in 2022. Since November 2022, China has been moving quickly towards reopening by lifting COVID-19 precautionary measures and travel restrictions. China's sudden reopening led to optimism towards a rapid rebound in economic activity. Also, the improvement in the global financial conditions in late 2022 as the inflation pressures started to abate together with a weakening US dollar from its November high, provided some modest relief to China. The GDP in China grew by about 3% in 2022. According to research, the anti-epidemic measures, including the lockdown in major cities, and the real estate slump dragged down the economic growth in China for 2022. According to the statistics of the government of the People's Republic of China ("PRC"), crude steel production for 2022, as compared to 2021, dropped by about 2.1% in China, marking a second-successive annual decline.

On the other hand, 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 throughout 2022. The iron ore demand falters on thin or negative steel margins. Some Chinese steel mills, especially the private ones, had cut steel output voluntarily as weak steel demand dragged down their margins significantly in 2022. 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.

Volatility reigned in the iron ore market in 2022 with prices rallying and falling and the Group was exposed to the unanticipated sudden upsurge of iron ore market indices during the Reporting Period, especially towards the end of 2022, which resulted in an increase in the purchase prices of iron ores, the costs of which largely could not be passed onto the Group's customers under the provisional pricing arrangement. In the first half of 2022, the Group mainly priced its medium-grade iron ores with reference to the Platts IODEX Price in accordance with the market practices. The Platts IODEX Price had shot up about 33% to approximately US$158 per tonne at the end of the first quarter of 2022, as compared to about US$119 per tonne at the beginning of the year. Since late February 2022, supply concerns due to the Russia-Ukraine conflict have outweighed muted demand growth and the crackdown on speculative iron ore trading behaviour in China. However, lockdowns in various major cities in China due to COVID-19 and stringent public health measures in the second quarter of 2022 posed great 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 the second quarter of 2022.

Business and Operational Review *(Continued)*

Our Market, Products and Product Prices *(Continued)*

Attributed to the improving iron grade of the Group's Hematite Ores in the second half of 2022, the Group then priced its high-grade iron ores with reference to the 65 IO Price. In the second half of 2022, the 65 IO Price reached a 3-year low at approximately US$91 per tonne in October 2022 attributed to, among others, the zero COVID-19 policy and the lockdowns of cities in China. The 65 IO Price then recovered in November 2022 on the back of supportive property market policies and the easing of COVID-19 pandemic precautionary measures in China, which led to positive iron ore demand expectations. In December 2022, the PRC government announced a downgrade to the containment measures for COVID-19 and dropped the quarantine requirements for all passengers arriving from outside the country's borders from early January 2023. Optimism therefore arose among some market participants on an economic revival in China and the market's view that the boost in the resumption of construction and infrastructural spending would lead to quick recovery of iron ore demand in China, which provided further support to iron ore prices in December 2022. The 65 IO Price surged in December 2022 with the average 65 IO Price reaching approximately US$124 per tonne. The Group therefore experienced a business loss in the second half of 2022 resulting in the significant drop in the Group's gross profit for the Reporting Period to approximately US$2.8 million, as compared to the gross profit of approximately US$5.4 million recorded for the Corresponding Prior Period. However, according to research, the Chinese steel mills' production margins remained negative, and more mills chose to purchase low-grade fines and resell high-grade fines to reduce production costs. The seaborne iron ore market also faced lukewarm liquidity as the market saw import losses for most mainstream iron ore products in the fourth quarter of 2022.

Subsequent to the end of the Reporting Period, the trend of the seaborne iron ore prices continued to rise and the February 2023 average of the 65 IO Price further leaped up to approximately US$141 per tonne, which had squeezed the Group's gross profit earned from the sales of iron ores that were sold and provisionally priced during the Reporting Period by approximately US$1.6 million, and is expected to negatively impact the Group's financial performance in the upcoming financial year. In early 2023, the market sentiment strengthened as China started dismantling its zero COVID-19 policy and gradually reopening the economy while the steel mills also started to replenish in-plant iron ore inventories ahead of the 2023 Lunar New Year holidays. After China loosened the COVID-19 restrictions, the steel demand in 2023 might increase.

In China, Australian iron ores remained the largest source of overseas supply. Diplomatic relations between the two countries steadily improved in 2022. Recently, China's trade relations with Australia showed concrete signs of thawing with coal shipments resuming in early 2023. As a distributor of Australian iron ores, the Group will keep abreast of the latest policy measures and development to adapt to any changes or adjust the Group's business strategies as appropriate.

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 incoterms basis from Australia during the Reporting Period. The Group also sourced iron ore supplies from other overseas mines from time to time on the Cost and Freight incoterms basis ("CFR").

During the Reporting Period, the Group has kept strengthening its customer business network so that the Group can develop and improve customer relationships 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.

According to our supplier, Koolan, it has completed the scheduled overburden stripping programme at the Hematite Mine during the Reporting Period. The iron grade of Hematite Ores sold during the Reporting Period gradually improved with an average of about 64% Fe (2021: about 57% Fe). However, a fire occurred in August 2022 in the product sizing screen plant at the Hematite Mine. Such temporal supply disruption due to the incident slightly affected the Group's supply and sales of Hematite Ores in 2022. During the Reporting Period, the Group purchased and sold about 1.5 Mt of Hematite Ores sourced from Koolan (2021: about 0.9 Mt).

Because of the reduced steel demand in China in 2022 and the difficult business environment faced by the Group during the Reporting Period as affected by, among others, the COVID-19 outbreaks and lockdown in major cities in China and the highly volatile and fluctuating iron ore market prices, our Business Development Team adopted a cautious approach in sourcing iron ores from other mines. As a result, the Group's business volume and revenue with other suppliers in FY 2022 declined by about 85% and 86% respectively as compared to FY 2021 and were less than the target that the Group has originally envisaged.

Our Hedging Strategy and Execution

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.

As discussed earlier, the iron ore market was highly volatile and fast-changing in 2022, especially towards the end of 2022 and thereafter. During the Reporting Period, the Group recognised net gains of approximately US$3.9 million (2021: net gains of approximately US$0.3 million) and net losses of approximately US$5.8 million (2021: net gains of approximately US$1.1 million) from the hedging transactions in the Group's revenue and cost of sales, respectively.

Business and Operational Review *(Continued)*

Our Hedging Strategy and Execution *(Continued)*

As at 31 December 2022, the Group had an aggregate open position of iron ore futures or swap contracts of 60,000 tonnes (2021: Nil) expiring by the end of January 2023 with a positive carrying value of approximately US$2.1 million (2021: Nil) which has been recognised as financial assets at fair value through profit or loss and included in the Group's other current financial assets at that date.

Shipping of Our Iron Ores

The Group continued to engage the shipping service providers under chartering during the Reporting Period.

The Group's revenue attributed to the provision of iron ore shipping services amounted to approximately US$25.3 million (2021: approximately US$19.1 million), reflecting the increase in number of shipments and higher sea freight charges recognised in FY 2022.

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 iron ores, 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$201.5 million (2021: approximately US$292.9 million), representing a decline of about 31%. The Group sold about 1.7 Mt of iron ores during the Reporting Period (2021: about 2.2 Mt), comprising about 1.5 Mt of Hematite Ores sourced from Koolan (2021: about 0.9 Mt) and about 0.2 Mt of iron ores sourced from other suppliers (2021: about 1.3 Mt).

As mentioned in the "Business and Operational Review" section above, our supplier, Koolan, has completed the overburden stripping programme at the Hematite Mine during the Reporting Period. The iron grade of Hematite Ores sold during the Reporting Period gradually improved with an average of about 64% Fe (2021: about 57% Fe) and the average unit selling price of the Hematite Ores sourced from Koolan also increased YOY by about 45%, reflecting the significant improvement in product quality and the corresponding upgrade to the applicable iron ore benchmark prices which were higher during the Reporting Period.

Because of the reduced steel demand in China in 2022 and affected by other factors mentioned earlier, our Business Development Team adopted a cautious approach in sourcing iron ores from other mines. As a result, the Group's business volume and revenue with other suppliers in 2022 declined by about 85% and 86% respectively and were less than the target that the Group has originally envisaged.

Financial Review *(Continued)*

Revenue *(Continued)*

The overall average unit selling price of the Group's iron ores was approximately US$119 per tonne during the Reporting Period (2021: approximately US$133 per tonne), 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 net effect of the substantial reduction in the sales of medium to high-grade iron ores sourced from other suppliers during the Reporting Period which was partly offset by the YOY improvement in the average iron grade and unit selling price of Hematite Ores sold during the Reporting Period.

Gross Profit

During the Reporting Period, the Group has been matching the iron ore products with customers' demands successfully for swift sales through business negotiation.

Attributed to the weak demand for high-grade iron ores from Chinese steel mills as they continued to experience poor steel profitability in 2022, and the unanticipated sudden upsurge of iron ore market indices during the Reporting Period, especially towards the end of 2022, which resulted in an increase in the purchase prices of iron ores, the costs of which largely could not be passed onto the Group's customers under the provisional pricing arrangement, the Group experienced a business loss in the second half of 2022 resulting in the significant drop in the gross profit by approximately US$2.6 million to approximately US$2.8 million for the Reporting Period (2021: approximately US$5.4 million). The Group's gross profit ratio has also dropped to about 1.4% for the Reporting Period (2021: about 1.8%).

Results for the Reporting Period

The Group's net loss for the Reporting Period was approximately US$2.2 million (2021: approximately US$1.8 million). The increase in the Group's net loss for the Reporting Period was mainly caused by the YOY decrease in the Group's revenue attributed to the weak demand for high-grade iron ores from the Chinese steel mills, the significant drop in the Group's gross profit to approximately US$2.8 million for the Reporting Period, while the absence of the impairment loss of approximately US$1.3 million recognised for the Corresponding Prior Period and the YOY reduction in the Group's operating outlays by approximately US$0.5 million had mitigated such impact on the net loss of the Group for the Reporting Period.

Changes in the Financial Position

The Group had a healthy financial position as at 31 December 2022 with total assets of approximately US$60.9 million (2021: approximately US$37.7 million), which mainly represented the other long-term asset relating to the Restated Long Term Hematite Ore Supply Agreement of approximately US$13.4 million, the trade and bills receivables of approximately US$23.2 million, other current financial assets of approximately US$7.5 million, restricted bank deposits of approximately US$4.4 million and cash and cash equivalents of approximately US$11.5 million. Attributed to the shipments made before 31 December 2022, the Group's trade and bills receivables increased by approximately US$22.0 million to approximately US$23.2 million as at 31 December 2022.

Financial Review *(Continued)*

Changes in the Financial Position *(Continued)*

The Group had total liabilities of approximately US$32.9 million as at 31 December 2022 (2021: approximately US$7.5 million), which mainly represented the trade and bills payables of approximately US$25.2 million, other current financial liabilities of approximately US$1.8 million and the aggregate interest-bearing bank and other borrowings of approximately US$4.6 million. Similar to the trade and bills receivables, the Group recognised an increase in the trade and bills payables by approximately US$23.7 million to approximately US$25.2 million as at 31 December 2022.

Despite the net loss of the Group for the Reporting Period, the Group's total equity remained steady and amounted to approximately US$28.0 million at 31 December 2022 (2021: approximately US$30.2 million).

Dividend

The Board does not recommend the payment of a final dividend in respect of FY 2022.

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 external customers by geographical segment is set out as follows:

	2022 **US$'million**	2021 US$'million
Mainland China	**194.2**	292.9
Others	**7.3**	–
Total revenue from external customers	**201.5**	292.9

Revenue from 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 4 to the consolidated financial statements, 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 31 December 2022, the Group's total equity amounted to approximately US$28.0 million (2021: approximately US$30.2 million). During the Reporting Period, the Group financed its operation by internal financial resources, the interest-bearing bank and other borrowings and the trade finance banking facilities.

As at 31 December 2022, the cash and cash equivalents of the Group amounted to approximately US$11.5 million (2021: approximately US$14.5 million), representing about 19% (2021: about 38%) of the total assets of the Group. These cash and cash equivalents were mainly denominated as to about 81% in USD and about 15% in HKD as at 31 December 2022 (2021: about 94% in USD and about 2% in HKD). In addition, the Group has approximately US$4.4 million restricted bank deposits denominated in USD to secure the issuance of letters of credit to the suppliers as at 31 December 2022.

The Group had interest-bearing bank and other borrowings of approximately US$4.6 million as at 31 December 2022 (2021: approximately US$5.5 million), about 96% (2021: about 97%) 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$0.9 million made by the Group.

All of the Group's interest-bearing bank and other borrowings were denominated in HKD and carried a fixed interest rate as at 31 December 2022 and 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$405.0 million, in aggregate, for the Resources Business as at 31 December 2022 (2021: approximately US$353.7 million). The Group will continue to negotiate for new trade finance facilities with banks to support the continual development of the Group's business.

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$6.9 million as at 31 December 2022 (2021: approximately US$9.0 million). Therefore, the Group is not considered to have any net gearing as at 31 December 2022 and 2021 and the Group's liquidity ratio was about 1.4 as at 31 December 2022 (2021: about 3.0). The Group's liquidity remains stable as at 31 December 2022.

Pledge of Assets

As at 31 December 2022, no property, plant and equipment or right-of-use assets that were pledged for the Group's bank borrowing or banking facilities. The Group's utilised banking facilities as at 31 December 2022 were secured by an aggregate amount of restricted bank deposits of approximately US$4.4 million.

As at 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 business negotiation and the use of 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 prices that were mostly adopted by the Group during the Reporting Period were the Platts IODEX Price and 65 IO Price.

During the Reporting Period, the Group recognised net gains of approximately US$3.9 million (2021: net gains of approximately US$0.3 million) and net losses of approximately US$5.8 million (2021: net gains of approximately US$1.1 million) from the hedging transactions in the Group's revenue and cost of sales, respectively.

As at 31 December 2022, the Group had an aggregate open position of iron ore futures or swap contracts of 60,000 tonnes (2021: Nil) expiring by the end of January 2023 with a positive carrying value of approximately US$2.1 million (2021: Nil) which has been recognised as financial assets at fair value through profit or loss and included in the Group's other current financial assets at that date. Subsequent to the end of the Reporting Period, the trend of the seaborne iron ore prices continued to rise and the February 2023 average of the 65 IO Price further leaped up to approximately US$141 per tonne, which had squeezed the Group's gross profit earned from the sales of iron ores that were sold and provisionally priced during the Reporting Period by approximately US$1.6 million, and is expected to negatively impact the Group's financial performance in the upcoming financial year.

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 the date of this annual report. 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 31 December 2022, the Group had a total of 23 (2021: 27) employees in Hong Kong and Mainland China. During FY 2022, staff costs (inclusive of Directors' emoluments) was approximately US$2.8 million (2021: approximately US$3.0 million).

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, their time commitment and contributions to 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.

Employees and Remuneration Policies *(Continued)*

In addition, certain operating subsidiaries of the Group ("Applicants") made applications for the subsidy ("Subsidy") from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC ("HKSAR Government"), which shall be applied towards the payroll costs of the eligible staff members of the Applicants for certain months in 2022. During FY 2022, the Subsidy of approximately US$0.1 million that was approved and granted by the HKSAR Government to the Applicants was applied towards the Group's payroll costs and was recognised as the Group's other income during the Reporting Period.

Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

Event after the Reporting Period

Save as disclosed elsewhere in this report, there was no important event affecting the Group from 31 December 2022 to the date of this report.

Outlook and Future Plans

The global economy is proving more resilient and the PRC economy showed a steady recovery at the beginning of 2023. After the lift of COVID-19 precautionary measures and travel restrictions, China has entered new phase rapidly and steadily, the unimpeded economic activity has been accelerating with notable improvements in production and demand. In addition, the high-grade Hematite Ores supply from Koolan has been recovering from the fire incident and is expected to be more stable both in terms of quantity and quality in the years ahead.

On the other hand, the Chinese steel mills remain on the lookout for a pickup in downstream steel demand to rouse a greater requirement for iron ores. The low to medium-grade iron ores remain the focal point in the seaborne iron ore market due to their cost competitiveness, in particular those with deeper discounts. In addition, China is aiming to contain its steel production growth in 2023 and focus more on environmentally friendly capacity swaps. China's steel demand is likely to continue falling in 2023 due to slowed demand both domestically and internationally. However, as the PRC government has been prioritising the stability of the economic growth for 2023, any government-mandated output cuts is expected to be mild.

Outlook and Future Plans *(Continued)*

Subsequent to the end of the Reporting Period, those bullish traders participated more speculatively in the seaborne iron ore market while the Chinese end-users maintained a cautious buying stance and procured only to fulfil basic needs. Therefore, the seaborne iron ore prices remained sensitive, fast-moving and highly volatile. The 65 IO Price surged after the Reporting Period and the February 2023 average of the 65 IO Price further leaped up to approximately US$141 per tonne. All of the above have created challenges to the Resources Business, in particular, in trade negotiation, product pricing and execution of hedging strategy and hedging instruments. 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 managing the impact of seaborne iron ore price movements on the Group. The Group will also continue to identify and explore new supplies of iron ores and other commodities and evaluate and secure potential long-term business relationships with suitable suppliers to further diversify the Group's product offerings. In view of the challenges the Group's Resources Business are facing, the Group will continue to cautiously explore and capture mergers and acquisitions and other collaboration or investment opportunities as appropriate.

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's annual report for FY 2022.

Corporate Governance Practices

The Board strongly believes that corporate governance is an integral part of the Company's mission in our pursuit of growth, value creation and sustainability. The Board strives to attain and uphold a high standard of corporate governance and to maintain sound and well-established corporate governance practices for the interest of the Shareholders. In achieving long-term growth and sustainability, the Company's strategies in business development and management as well as strategic priorities against material risks relating to Environmental, Social and Governance ("ESG") shall be embedded into the corporate governance practices. During FY 2022, we adopted corporate governance principles that emphasise a quality Board, effective risk management and internal control systems covering ESG risks, stringent disclosure practices, transparency and complete accountability towards all the stakeholders of the Company.

As part of the Company's unwavering commitment to high standards of corporate governance, it has adopted and complied with all 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 CG Code during the Reporting Period.

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

The Board

Responsibilities

The Board is responsible for the leadership and control of the Group, and oversees the Group's businesses, strategic decisions and performance. The Board also monitors the operations of the Group and satisfies itself that the Group's corporate culture is aligned with its purpose, values and strategy. All Directors act with integrity, lead by example, and promote such culture, to instill and continually reinforce across the Group the values of acting lawfully, ethically and responsibly. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

The Board *(Continued)*

Board Composition

The Board currently comprises five Directors, consisting of two executive Directors and three independent non-executive Directors. All Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. Biographies of the Directors are set out in pages 39 to 42 of this annual report under the section headed "Directors' and Senior Management's Profile". All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The list of Directors (by category) as set out under "Corporate Information" on page 135 of this annual report is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors are expressly identified as such in all corporate communications of the Company pursuant to the Listing Rules. The same can also be viewed from the websites of the Company and the Stock Exchange.

Save as disclosed herein, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship(s)) between each other.

Board Independence

As at the date of this annual report, the Company met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Pursuant to rule 3.13 of the Listing Rules, the Company has received written confirmation from each of the independent non-executive Directors confirming his independence from the Company, and considers all of the independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation and sharing of valuable impartial view on matters discussed at Board meetings, taking lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors have made various contributions to the effective direction of the Company.

The Board *(Continued)*

Board Independence *(Continued)*

The Board understands that independent views and input are vital elements to good corporate governance. The Company has mechanisms in place to ensure independent views and input are available to the Board, among others, (i) each individual directors can access to the advice from the senior management and external independent professional of the Company directly, when necessary; and (ii) dedicated meetings between independent-non executive Directors and chairman of the Board or external auditors had been arranged for the independent non-executive Directors to express their own views and raise any matters or irregularities which may have impact on the Company and provide constructive advice accordingly. The Board reviews the implementation and effectiveness of the mechanisms on an annual basis.

Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the chairman of the Board and the chief executive officer to ensure a balance of power and authority. Their respective responsibilities are clearly defined and set out in writing. During FY 2022, the role of chairman was held by Mr. Chong Tin Lung, Benny and the Company does not have a chief executive officer.

The chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the company secretary and the senior executives, the chairman is responsible for ensuring that the Directors receive adequate, accurate, clear, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings, and that all key and appropriate issues are discussed by the Board in a timely manner.

The role of chief executive officer focuses on achieving the Company's objectives and implementing policies and strategies approved and delegated by the Board. He/she is in charge of the Company's day-to-day management and operations and is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. As at the date of this annual report, the function of the chief executive officer is performed by the executive Director other than the chairman of the Board. The Board continually reviews the effectiveness of the Group's corporate governance structure to assess whether any changes, including the appointment of a chief executive officer, are necessary.

The Board *(Continued)*

Appointment, Re-election and Removal of Directors

Each of the Directors is engaged on service contracts for a specific term of two to three years from their respective effective dates of appointment. All appointment may be terminated by not less than three months' prior written notice.

In accordance with the Articles, all the Directors are subject to retirement by rotation at least once every three years and any new Director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by Shareholders at the first annual general meeting after his/her appointment. Any further appointment of an independent non-executive Director, who has served the Board for more than nine years, shall be subject to a separate resolution to be approved by the Shareholders.

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles. The Nomination Committee is responsible for reviewing the Board's composition, structure and size, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Nomination Committee

The Nomination Committee was established on 8 June 2011 and comprised four members, including Mr. Lee Kwan Hung, Eddie (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, all being independent non-executive Directors, and Mr. Chong Tin Lung, Benny, being an executive Director.

The specific written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

The Board *(Continued)*

Nomination Committee *(Continued)*

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

- To review the structure, size, composition and diversity of the Board and to make recommendations on any proposed changes to the Board composition to complement the Group's corporate strategy;
- To identify candidates suitably qualified for appointment as the Directors;
- To make recommendations to the Board on appointment or re-appointment of the Directors and succession planning for the Directors;
- To review the board diversity policy, as appropriate, the measurable objectives adopted for implementing the policy and the progress on achieving the objectives; and
- To assess the independence of independent non-executive Directors.

The Nomination Committee has adopted written nomination policy which includes the nomination criteria, procedure and process for providing a formal, considered and transparent procedure to the Board for evaluating and selecting candidates for directorships. Where vacancy(ies) on the Board exists, the Nomination Committee will carry out the selection process by making reference to the expertise, skills, experience, professional knowledge, personal character, personal integrity and time commitments of the proposed candidate(s), the Company's needs and other relevant statutory requirements and regulations. The human resources department of the Company will assist and an external recruitment agency may be engaged to carry out the recruitment and selection process where necessary. The nomination policy for directors can be accessed from the website of the Company.

A summary of the work performed by the Nomination Committee during FY 2022 is set out as follows:

– Reviewed and discussed on the existing structure, size, composition and diversity of the Board to ensure that it has a balance of expertise, skills and experience appropriate for the requirements for the business of the Group and that it is in compliance with the requirements under the Listing Rules;

– Reviewed the nomination policy for Directors and the board diversity policy;

– Assessed the independence of the independent non-executive Directors; and

– Considered and recommended the re-appointment of the retiring Directors at the 2022 AGM.

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Chong Tin Lung, Benny and Tsui King Fai will retire from their office by rotation at the 2023 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2023 AGM.

The Board *(Continued)*

Nomination Committee *(Continued)*

Mr. Chong Tin Lung, Benny and Mr. Tsui King Fai were appointed as an executive director and an independent non-executive Director on 9 April 2018 and 15 December 2010 respectively. Mr. Tsui King Fai has served his role as an independent non-executive Director for more than nine years, his re-election will therefore be subject to a separate resolution to be approved by the Shareholders at the 2023 AGM pursuant to code provision B.2.3 of part 2 of the CG Code.

The Nomination Committee recommended the re-appointment of these retiring Directors at the 2023 AGM. The Company's circular, sent together with this annual report, contains detailed information of these retiring Directors as well as the considerations of the Nomination Committee in relation to their recommendation of the re-appointment of these retiring Directors pursuant to the Listing Rules requirements.

The Nomination Committee held one meeting during FY 2022 and the attendance records of the Nomination Committee members are as follows:

Name of Nomination Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung, Eddie *(Chairman)*	1/1
Mr. Chong Tin Lung, Benny	1/1
Mr. Tsui King Fai	1/1
Mr. Shin Yick, Fabian	1/1

Board Diversity

The Board adopted a board diversity policy setting out the approach to achieve diversity in the Board composition. As set out in the policy, a truly diverse Board will include and make good use of differences in the background, knowledge, skills, expertise, regional and industry experience, age, gender and other qualities of the members of the Board. These characteristic and objectives have been taken into account in determining the optimum composition of the Board. Board diversity has been considered and practised by the Company from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, skills, experience, knowledge, expertise and independence. The current Board is considered well-balanced in terms of the aforesaid characteristics (save for the absence of female Board member) and of a diverse mix appropriate for the business of the Group.

The Nomination Committee is responsible for the review of the measurable objectives, such as the length of services and professional knowledge of the Directors, adopted for implementing the board diversity policy in terms of nomination of a potential candidate and re-appointment of existing Director and the progress on achieving the objectives. The Nomination Committee will also review the board diversity policy, as appropriate, to ensure its effectiveness and recommend any proposed revisions to the Board for approval. Other than the Nomination Committee, the Board has also reviewed the implementation and effectiveness of the board diversity policy during FY 2022.

The Board *(Continued)*

Board Diversity *(Continued)*

Under rule 13.92 of the Listing Rules, a single gender board of directors will not be considered to have achieved board diversity. Therefore, the Nomination Committee has included the appointment of at least one suitable female candidate as a Board member in the agenda. The Board also noted such new requirement and the Company targets to comply with this new requirement by appointing at least one female Director no later than 31 December 2024, being the end of the transitional period as specified by the Stock Exchange. In order to achieve gender diversity in Board succession, the Company would put further emphasis on gender balance and gender equality in future Board member recruitments, with the assistance of human resources department of the Company, so that appropriate potential candidates of different gender could be in place to fill the vacancy of the Board, when necessary.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties including:

- To develop and review the Company's policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
- To review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Induction and Continuing Development

All Directors have been given a Director's manual with relevant guideline materials regarding, among others, the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interests and business of the Group.

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has an appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction is normally supplemented with visits to the Group's premises and/or meetings with the senior management of the Company.

The Board *(Continued)*

Induction and Continuing Development *(Continued)*

All Directors have been updated on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, they are also continually updated with the business and market changes to facilitate the discharge of their responsibilities.

The Directors confirmed that they have complied with Code Provision C.1.4 in part 2 of the CG Code about the requirement for the Directors' training. During FY 2022, all the Directors participated in continuous professional development by attending seminars/conferences/workshops/in-house briefings/reading materials as summarised below to develop and refresh their knowledge and skills on the topics of corporate governance, regulatory development, business or management and other relevant topics, and provided confirmations on their records of training to the Company.

	Type of Continuous Professional Development	
Name of Director	**Attending Seminars/ Conferences/Workshops/ In-house Briefings**	**Reading Materials and Updates**
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	✓	✓

Besides, continuous briefings and professional development for the Directors are arranged by the Company where necessary.

The Board *(Continued)*

Board Meetings

Board Practices and Conduct of Meetings

Regular Board meetings are held at least four times a year and additional Board meetings are held when the Board considers appropriate. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Draft agenda of each Board meeting is sent to the Directors in order to give them an opportunity to include any other matters in the agenda for discussion in the meeting. Notice of regular Board meetings is served to all the Directors at least 14 days before the meetings. For other Board meetings and committee meetings, reasonable notice is generally given.

In respect of regular Board meetings or committee meetings and so far as practicable in all other cases, meeting papers are sent to the Directors or respective committee members in a timely manner and at least 3 days before the intended date of the respective meetings to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

The chief financial officer and other relevant senior management normally attend regular Board meetings and where necessary, other Board meetings and committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Group.

The company secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are circulated to the Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

The Articles contain provisions requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest. According to current Board practices, any material transaction, which involves a conflict of interest for a Substantial Shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting.

The Board *(Continued)*

Board Meetings *(Continued)*

Directors' Attendance Records and Time Commitment

During FY 2022, four Board meetings and one general meeting were held for reviewing and approving the financial and operating performance and other matters accordingly.

The attendance records of individual Directors at the following meetings during FY 2022 are as follows:

	Attendance/Number of Meeting(s) held during the respective term of services	
Name of Director	**Board Meeting(s)**	**AGM**
Executive Directors		
Mr. Chong Tin Lung, Benny *(Chairman)*	4/4	1/1
Mr. Luk Yue Kan	4/4	1/1
Independent Non-executive Directors		
Mr. Tsui King Fai	4/4	1/1
Mr. Lee Kwan Hung, Eddie	4/4	1/1
Mr. Shin Yick, Fabian	4/4	1/1
Total number of meetings held during FY 2022	**4**	**1**

Apart from the above Board meetings, a meeting between the chairman and the independent non-executive Directors without the presence of other Directors was also held during FY 2022.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Specific enquiry has been made of all the Directors and all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2022.

The Board *(Continued)*

Model Code for Securities Transactions *(Continued)*

The Company has also established written guidelines (the "Code for Securities Transactions by Relevant Employees") on terms no less exacting than the required standards set out in the Model Code for securities transactions by employees of the Group who are likely to be in possession of unpublished inside information in relation to the securities of the Company. Each of the relevant employees has been given a copy of the Code for Securities Transactions by Relevant Employees.

The Company was not aware of any incident of non-compliance with the Model Code or the Code for Securities Transactions by Relevant Employees throughout FY 2022.

Formal notifications were sent by the Company to its Directors and relevant employees reminding them that they should not deal in the securities of the Company during the "black-out period" in accordance with requirements under the Model Code.

Delegation of Management Functions

The overall management and control of the Company's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to Shareholders, and, on behalf of Shareholders, overseeing the Company's financial performance. All Directors carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, take decisions objectively and act in the interests of the Company and its Shareholders at all times.

The Board reserves its decision for all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of the Directors and other significant financial and operational matters.

All the Directors have full and timely access to all relevant information as well as the advice and services of the company secretary and senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

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

Delegation of Management Functions *(Continued)*

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

The Board has established four committees, namely, the Nomination Committee, the Investment Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company were established with defined written terms of reference which (except for the terms of reference of the Investment Committee) can be accessed from the websites of the Company and the Stock Exchange and are also available to the Shareholders upon request.

The majority of the members of each Board committee (except for the Investment Committee) are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 135 of this annual report.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Investment Committee

The Investment Committee was established on 7 October 2016 and comprised two members, including Mr. Chong Tin Lung, Benny (Chairman of the Committee) and Mr. Luk Yue Kan, both being executive Directors.

The specific written terms of reference of the Investment Committee were approved and adopted by the Board.

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

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

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

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

Delegation of Management Functions *(Continued)*

Investment Committee *(Continued)*

A summary of the work performed by the Investment Committee during FY 2022 is set out as follows:

– Reviewed its terms of reference and considered if amendment is required.

The Investment Committee held one meeting during FY 2022 and the attendance records of the Investment Committee members are as follows:

Name of Investment Committee Member	Attendance/Number of Meeting(s) held
Mr. Chong Tin Lung, Benny *(Chairman)*	1/1
Mr. Luk Yue Kan	1/1

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of the Directors and the senior management. The remuneration packages and benefits of the Directors and senior management are determined in accordance with their duties and responsibilities with the Company, time commitment and contributions to the Company, performance and current market conditions. The Remuneration Committee will assess, review and make recommendations to the Board on the remuneration packages and benefits of the Directors and senior management at least once a year or as and when required. Details of the remuneration of each of the Directors and the senior management for FY 2022 are set out in Note 6 to the consolidated financial statements.

Remuneration Committee

The Remuneration Committee was established on 8 June 2011 and comprised four members, including Mr. Lee Kwan Hung, Eddie (Chairman of the Committee), Mr. Tsui King Fai and Mr. Shin Yick, Fabian, all being independent non-executive Directors, and Mr. Chong Tin Lung, Benny, being an executive Director.

The specific written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange. Pursuant to the terms of reference, the primary duties of the Remuneration Committee include making recommendations to the Board on the Company's policies and structure of the remuneration of the Directors and senior management, and the remuneration packages of the Directors and the senior management, including benefits in kind, pension rights and compensation payments and, with effect from 28 December 2022, reviewing and/or approving matters relating to share schemes under the amended Chapter 17 of the Listing Rules which came into effect on 1 January 2023. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The human resources department of the Company is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the chairman of the Board about these recommendations on remuneration policy and structure and remuneration packages.

Remuneration of Directors and Senior Management *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee held one meeting during FY 2022 and the attendance records of the Remuneration Committee members are as follows:

Name of Remuneration Committee Member	Attendance/Number of Meeting(s) held
Mr. Lee Kwan Hung, Eddie *(Chairman)*	1/1
Mr. Chong Tin Lung, Benny	1/1
Mr. Tsui King Fai	1/1
Mr. Shin Yick, Fabian	1/1

A summary of the work performed by the Remuneration Committee during FY 2022 is set out as follows:

– Reviewed the remuneration policy and structure of the Company;

– Reviewed and recommended to the Board on the remuneration packages (including discretionary bonus for FY 2021) of Directors and senior management of the Company for FY 2022; and

– Reviewed and revised the terms of reference of the Remuneration Committee in light of the amendments of the Listing Rules in respect of matters relating to share schemes under the amended Chapter 17 of the Listing Rules which came into effect on 1 January 2023 and recommended to the Board for approval.

Accountability and Audit

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

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

The Board is responsible for presenting a balanced, clear and understandable assessment of the annual report and overseeing the preparation of the financial statements of the Company and the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with.

During FY 2022, the management has provided the Board with monthly updates so as to give the Directors a balanced and understandable assessment of the Company's performance, position and prospects.

Accountability and Audit *(Continued)*

Risk Management and Internal Control

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviewing their effectiveness; in particular, it is responsible for evaluating and determining the nature and extent of the risks (including ESG risks) the Group is willing to take in maintaining appropriate and effective risk management and internal control systems for the Group to safeguard investments of the Shareholders and assets of the Company. Such systems of the Group are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The systems have been established to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure to achieve business objectives.

During FY 2022, the Board, through the Audit Committee, conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls in areas such as finance, operations, ESG and compliance. The Board concluded that in general, the Group's risk management and internal control systems, processes for financial reporting and Listing Rules compliance as well as ESG performance and reporting (details of which are set out in 2022 ESG Report of the Company) are effective and adequate.

The Risk Management Department, the Company's internal audit function, conducts evaluation of the Group's internal control on an on-going basis. The Risk Management Department performs risk-based audits to review the effectiveness of the Group's material internal control and risk management so as to provide assurance that key business, ESG and operational risks are identified, evaluated and managed. The work carried out by the Risk Management Department will ensure the internal control are in place and functioning as intended. The Risk Management Department reports to the Audit Committee with its findings and makes recommendations to improve the internal control of the Group.

To strengthen the Group's corporate governance, the Company engaged a professional firm during FY 2022 to provide support on the risk management and execution of the internal audit plan. The Risk Management Department liaises with such professional firm on the preparation of internal audit reports and submits the same annually to the Audit Committee to report the internal audit findings and status update to enable the assessment on internal control of the Group and the effectiveness of risk management. Management is responsible for ensuring appropriate actions are taken to rectify any control weaknesses highlighted in the internal audit reports within a reasonable period. During FY 2022, the Group has not identified any significant control deficiencies or weaknesses, and the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition.

The Company has in place an integrated framework of risk management and internal control which is consistent with the principles outlined in the "Internal Control and Risk Management – A Basic Framework" issued by the Hong Kong Institute of Certified Public Accountants. The key control measures are summarised below:

Accountability and Audit *(Continued)*

Risk Management and Internal Control *(Continued)*

Monitoring

- Ongoing assessment of control systems' performance.
- Internal audits performed periodically by Risk Management Department.
- Review the effectiveness of the internal control procedures in place to ensure business operation of the Group are conducted in compliance with the Listing Rules, and report the findings to the Board.

Information and Communication

- Information in sufficient details is provided to the right person timely.
- Channels of communication developed within the Group and with external parties to ensure information are documented and communicated in a timely manner.
- Channels of communication for people to report any suspected improprieties.
- To ensure compliance with the continuous disclosure obligation of inside information, the Group has adopted a policy for handling and dissemination of inside information. The policy provides guidance to officers on whether the information shall be considered as inside information, and if so, officers shall report to the Board for disclosure. The Group has communicated to the officers regarding the policy in place and has reminded the officers of their reporting obligation from time to time.

Control Activities

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

Risk Assessment

- Identification, evaluation and assessment of the key risk factors affecting the achievement of the Company's objectives are performed regularly.
- Undertake proper actions to manage the risks so identified.

Control Environment

- Channels to communicate the Company's commitment to integrity and high ethical standards to the staff are established.
- Proper delegation and clear line of reporting, responsibility and accountability within the Group.

Risk management is an essential part of corporate governance. Effective risk management facilitates the Group's business development and operation by setting the appropriate risk appetite, maintaining an optimal risk level and most importantly, proactively managing risks (including ESG risks). The Group's risk management is the responsibility of every management and embedded in daily operation of every business unit and staff.

Accountability and Audit *(Continued)*

Whistleblowing Policy

Whistleblowing plays an important role in effective risk management and internal control system of a company. The Group has adopted a whistleblowing policy and system since March 2012 and had the policy revised in December 2015 to provide guidance and channels for its employees and those who deal with the Group to raise concerns, in confidence and anonymity, about possible improprieties in any matter related to the Group and details of how the reported cases will be handled by the Group.

Auti-Corruption Policy

Guiding principles on the standards of behaviour to which an employee should adhere and the kinds of behaviour that may constitute potential bribery and corruption have been incorporated into the "Code of Conduct" provided to the staff members when they join the Group. Meanwhile, training materials were provided to the Directors and staff members from senior to operational levels to upkeep the awareness and importance of anti-corruption within the Group during FY 2022.

Audit Committee

The Audit Committee was established on 8 June 2011 and comprised three members, including Mr. Tsui King Fai (Chairman of the Committee), who possesses the appropriate professional qualification or accounting or related financial management expertise in accordance with the requirements under the Listing Rules, Mr. Lee Kwan Hung, Eddie and Mr. Shin Yick, Fabian, all being independent non-executive Directors.

None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The specific written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for accounting and financial reporting function, internal auditor or external auditor before submission to the Board;

- To ensure co-ordination between internal and external auditors of the Group, and to ensure that the internal audit function of the Group is adequately resourced and has appropriate standing with the Group, and to review and monitor its effectiveness;

- To govern the relationship with the external auditor by reference to the work performed by it, its fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- To review the adequacy and effectiveness of the Group's financial reporting system, risk management and internal control systems and associated procedures; and

- To oversee the risk management and internal control systems of the Group and to report to the Board on any material issues, and make recommendations to the Board.

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

A summary of work performed by the Audit Committee during FY 2022 is set out as follows:

– Reviewed the accounting principles and practices adopted by the Group, the annual financial statements of the Group for FY 2021 and the interim financial report of the Group for the six-month ended 30 June 2022 respectively;

– Met with the external auditor and reviewed its work and findings relating to the annual audit for FY 2021 and the effectiveness of the audit process;

– Reviewed and confirmed satisfaction with the effectiveness of the risk management and internal control systems of the Group, including effectiveness of the Risk Management Department, the Company's internal audit function;

– Met with the internal auditor and reviewed and approved the internal audit report for FY 2021;

– Approved the internal audit plan for FY 2022 prepared by the internal auditor;

– Reviewed the external auditor's independence and the audit plan, approved the engagement of external auditor and recommended the Board on the re-appointment of external auditor;

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

– Noted the impact on the Group's financial reporting in respect of new and amendments to accounting standards.

The Audit Committee held two meetings during FY 2022 and the attendance records of the Audit Committee members are as follows:

Name of Audit Committee Member	Attendance/Number of Meeting(s) held
Mr. Tsui King Fai *(Chairman)*	2/2
Mr. Lee Kwan Hung, Eddie	2/2
Mr. Shin Yick, Fabian	2/2

Accountability and Audit *(Continued)*

Audit Committee *(Continued)*

The external auditor was invited to attend the meetings without the presence of the executive Directors and senior management to discuss with the Audit Committee issues arising from the audit and financial reporting matters. After each meeting, the chairman of the Audit Committee provided the Board with a briefing on the significant issues. An Audit Committee meeting was also held in March 2023 to consider, among others, the Group's annual results and annual report for FY 2022.

External Auditor's Independence and Remuneration

The Audit Committee is mandated to review and monitor the independence of the auditor to ensure objectivity and the effectiveness of the audit process of the financial statements in accordance with applicable standards. Members of the Audit Committee were of the view that the Company's external auditor, Messrs. Ernst & Young, is independent and has recommended the Board to re-appoint it as the Company's auditor at the 2023 AGM. During FY 2022, the external auditor has rendered audit and non-audit services to the Company. The statement about its reporting responsibilities for the Company's financial statements is set out in the section headed "Independent Auditor's Report" on pages 53 to 57 of this annual report.

A summary of audit services and non-audit services provided by the external auditor for FY 2022 and its corresponding remuneration is set out below:

Category of Services	**Fees Paid/ Payable** US$'000
Audit/review services	
– Interim review services	86
– Annual audit services	188
Non-audit services	
– Tax advisory services	11
Total	**285**

Company Secretary

Mr. Luk Yue Kan, the company secretary of the Company (the "Company Secretary") who is also an executive Director, the chief financial officer and a member of the Investment Committee of the Company, is a full time employee of the Company and has knowledge of the Company's day-to-day affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. During FY 2022, the Company Secretary undertook no less than 15 hours of relevant professional training. His biography is set out on page 39 of this annual report under the section headed "Directors' and Senior Management's Profile".

Diversity Across Workforce

The Group is considered to have a balanced workforce in respect of gender. As at 31 December 2022, the Group has 57% female representation in its total workforce (excluding the Directors) as there is no specific gender prerequisite for candidates engaging in the Resources Business. The Group is not aware of any mitigating factor or circumstance which would make achieving gender diversity across the workforce more challenging or less relevant.

Amendments to the Constitutional Documents

During FY 2022, amendments had been made to the memorandum of association of the Company and the Articles (the "M&A") with the approval from the Shareholders in the 2022 AGM in order to conform to the core shareholders protection standards as set out in Appendix 3 to the Listing Rules effective from 1 January 2022 and the applicable laws of the Cayman Islands as well as for house-keeping purposes. Details of the amendments are set out in the circular of the Company dated 27 April 2022.

The latest version of the M&A of the Company are available on the websites of the Company and the Stock Exchange.

Communication with Shareholders and Investor Relations

The Company is committed to upholding the highest standards of corporate governance and maintaining effective communication with the Shareholders and investors. A shareholders' communication policy, which contains the channels for Shareholders to communicate their views on various matters affecting the Company as well as the steps taken to solicit and understand the views of the Shareholders, is available on the website of the Company. A summary of the Company's Shareholders' communication policy is set out below:

– The Board shall maintain on-going dialogue with Shareholders and the investment community;

– Communications strategies between the Company and the Shareholders include (i) the raising of enquiries by Shareholders to the Company through designated contacts provided by the Company; (ii) the provision by the Company of bilingual corporate communications; (iii) the publication of information and materials in relation to the Company on the Company's and the Stock Exchange's websites; (iv) the holding of shareholders' meetings; and (v) any other activities conducted in order to facilitate the communication between the Company, shareholders of the Company and the investment community.

Communication with Shareholders and Investor Relations *(Continued)*

The Board has reviewed the Shareholders' communication policy and considered that it was effectively implemented during the FY 2022 on the basis that: –

– All announcements, circulars, annual and interim reports are available on the website of the Company in a timely manner after publishing the same on the website of the Stock Exchange so that the Shareholders and investment community at large are provided with ready, equal and timely access to the latest information and current development about the Company;

– A physical AGM was held to reach out to individual Shareholders and stakeholders within the investment community to encourage their participation and raise questions. Electronic voting was conducted at the meeting to shorten the time spent, as well as ensuring the privacy and accuracy, on vote counting;

– Requisite requirements for convening general meetings of the Company are set out in the section headed "Shareholders' Rights" below. Details can also be found in the Company's M&A which is published on the websites of the Company and the Stock Exchange; and

– Shareholders' request, as received directly or through the share registrar in Hong Kong, was attended to by the Company promptly.

General meetings of the Company also provide a forum for communication between the Board and the Shareholders. The chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee, Audit Committee and Investment Committee or, in their absence, other members of the respective committees are available to answer questions at general meetings.

The 2023 AGM is scheduled to be held on 8 June 2023. The notice of AGM will be sent to the Shareholders at least 20 clear business days before the AGM.

The Company has investor relations team, led by an executive Director, to meet existing Shareholders and potential investors, research analysts and investment managers from time to time.

To promote effective communication, the Company maintains a website at www.newton-resources.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access. Investors may write directly to the Company at its principal place of business in Hong Kong or via email to ir@newton-resources.com for any enquiries.

Shareholders’ Rights

In accordance with article 68 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board and to put forward resolutions specified in such requisition by the procedures below:

The Shareholder shall deposit a requisition in writing at the Company’s principal place of business in Hong Kong at Units 4204-05, 42/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong (marked for the attention of the Company Secretarial Department) or the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to require an extraordinary general meeting to be convened.

The requisition must specify the objects of the meeting and the resolutions to be added to and be passed at the required extraordinary general meeting and must be signed by the Shareholder concerned. If the requisition is confirmed as proper and valid, an extraordinary general meeting shall be convened within 21 days after the deposit of such requisition subject to the requirements of the relevant Articles and the Listing Rules. In case an extraordinary general meeting could not be convened upon the request, the Company will inform the Shareholder accordingly.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene the extraordinary general meeting in the same manner provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

For enquiries to the Board, the Shareholder shall contact the Investor Relations Department at the Company’s principal place of business in Hong Kong at Units 4204-05, 42/F, Dah Sing Financial Centre, 248 Queen’s Road East, Wan Chai, Hong Kong or by e-mail to ir@newton-resources.com. The Company will endeavour to respond to their queries in a timely manner.

As one of the measures to safeguard the Shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at the Shareholders’ meetings, including the election of individual Directors, for the Shareholders’ consideration and voting.

All resolutions put forward at the Shareholders’ meetings will be voted by poll pursuant to the Listing Rules and the Articles, and the poll voting results will be published on the websites of the Company and the Stock Exchange after the relevant general meeting in accordance with the requirements of the Listing Rules.

Shareholders may at any time change their choice of language (English or Chinese or both) or means of receipt (printed form or through electronic means on the Company’s website) of corporate communications by writing or email to the Company’s branch share registrar in Hong Kong.

Dividend Policy

The Company has adopted a dividend policy, pursuant to which the Shareholders will be entitled to receive any dividend the Company declares. The payment and amount of any dividend will be at the discretion of the Board and will depend on the Group's general business condition and strategies, cash flows, financial results, capital requirements and taxation conditions, interests of respective Shareholders, statutory restrictions, and other factors that the Board deems relevant.

The payment of any dividend will also be subject to the laws of the Cayman Islands as amended from time to time and the Company's constitutional documents, which indicate that payment of dividends out of the Company's share premium account is possible on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

In general, the Company does not expect to declare dividends in a year where it does not have any distributable earnings.

The Company currently intends to retain certain, if not all, of its available funds and future earnings to operate and expand its business and/or acquisitions.

Cash dividends on the Shares, if any, will be paid in HKD.

The Board will review the dividend policy on an annual basis.

Going Concern

There are no material uncertainties relating to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

Directors' and Senior Management's Profile

Board of Directors

Mr. Chong Tin Lung, Benny
Chairman/Executive Director

Mr. Chong, aged 50, was appointed as an executive Director, the chairman of the Board and the Investment Committee and a member of each of the Nomination Committee and the Remuneration Committee with effect from 9 April 2018. He is also a director of subsidiaries of the Company.

Mr. Chong is currently an executive director, the executive chairman and the chief executive officer of Auto Italia Holdings Limited (stock code: 720), a company listed on the mainboard ("Main Board") of the Stock Exchange.

Mr. Chong is the founder of VMS Investment Group Limited, which is a Substantial Shareholder of the Company and has served as its chairman since its establishment in 2006. He also founded VMS Holdings Limited and is its director. Mr. Chong has accumulated over 20 years of experience in the financial and investments industry. VMS Holdings Limited is principally engaged in proprietary investments, private equity, asset management, securities brokerage and corporate finance advisory services.

Mr. Chong is a Chartered Financial Analyst. He obtained a Bachelor of Commerce from the University of Toronto in 1994 and a Master of Science in Investment Management from the Hong Kong University of Science and Technology in 2000.

Mr. Chong is the son of Ms. Mak Siu Hang, Viola, who is a Substantial Shareholder of the Company.

Mr. Chong was subject to a reprimand by the SFC in 2003. No prosecution had been brought against him as a result. For details, please refer to the Company's announcement dated 27 March 2018.

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

Mr. Luk, aged 47, was appointed as an executive Director and the chief financial officer of the Company on 1 April 2015 and is a member of the Investment Committee. He joined the Company in March 2011 as the financial controller. In November 2011, he assumed the additional role of company secretary of the Company. He oversees the business, treasury management, financial reporting, company secretarial, human resources, risk management, mergers and acquisitions and investor relations matters of the Company. He is also a senior management of the Company and a director and company secretary of subsidiaries of the Company.

Mr. Luk holds an Executive MBA degree from Richard Ivey School of Business at The Western University in Canada and a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, and an associate and a Chartered Tax Advisor of the Taxation Institute of Hong Kong. Mr. Luk has over 20 years' experience in auditing, accounting and financial management.

Board of Directors *(Continued)*

Mr. Tsui King Fai
Independent Non-executive Director

Mr. Tsui, aged 73, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee.

Mr. Tsui currently holds positions in the following companies listed on the Main Board of the Stock Exchange:

Name of Company	Title
Lippo Limited (stock code: 226)	Independent non-executive director
Hongkong Chinese Limited (stock code: 655)	Independent non-executive director
Vinda International Holdings Limited (stock code: 3331)	Independent non-executive director

Mr. Tsui was a director and senior consultant of WAG Worldsec Corporate Finance Limited up to his resignation on 30 June 2016. Moreover, he was an independent non-executive Director of Lippo China Resources Limited (stock code: 156) and China Aoyuan Group Limited (stock code: 3883), companies listed on the Main Board of the Stock Exchange, up to his resignation on 30 December 2022 and 20 January 2023 respectively.

Mr. Tsui graduated from the University of Houston with a Master of Science in Accountancy degree and a Bachelor of Business Administration degree with first class honors awarded in 1974 and 1973 respectively.

Mr. Tsui is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of each of the Chartered Accountants Australia and New Zealand, and the American Institute of Certified Public Accountants. He has extensive experience in accounting, finance and investment management, particularly in investments in China. Mr. Tsui had worked for two of the "Big Four" audit firms in Hong Kong and the United States of America.

Mr. Lee Kwan Hung, Eddie
Independent Non-executive Director

Mr. Lee, aged 57, was appointed as an independent non-executive Director on 15 December 2010 and is the chairman of each of the Remuneration Committee and the Nomination Committee and a member of the Audit Committee. Currently, he is a consultant of Howse Williams.

Board of Directors *(Continued)*

Mr. Lee Kwan Hung, Eddie *(Continued)*
Independent Non-executive Director

Mr. Lee currently also holds positions in the following companies listed on the Main Board of the Stock Exchange:

Name of company	Title
Embry Holdings Limited (stock code: 1388)	Independent non-executive director
NetDragon Websoft Holdings Limited (stock code: 777)	Independent non-executive director
Tenfu (Cayman) Holdings Company Limited (stock code: 6868)	Independent non-executive director
Red Star Macalline Group Corporation Ltd. (stock code:1528)	Independent non-executive director
FSE Lifestyle Services Limited (stock Code: 331)	Independent non-executive director
Ten Pao Group Holdings Limited (stock Code: 1979)	Independent non-executive director

Moreover, Mr. Lee was an independent non-executive director of Landsea Green Management Limited (formerly known as Landsea Green Properties Co., Ltd.) (stock code:106), China BlueChemical Ltd. (stock code: 3983) and Glory Sun Financial Group Limited (stock code:1282), companies listed on the Main Board of the Stock Exchange, up to his resignation on 19 June 2020, 27 May 2021 and 17 July 2022 respectively.

Mr. Lee holds a Bachelor of Laws (Honours) degree and Postgraduate Certificate in Laws from the University of Hong Kong. He was admitted as a solicitor in Hong Kong and the United Kingdom and is a practising lawyer. Between 1993 and 1994, Mr. Lee was a senior manager in the Listing Division of the Stock Exchange. Mr. Lee was a partner of Woo Kwan Lee & Lo between 2001 and 2011.

Mr. Shin Yick, Fabian
Independent Non-executive Director

Mr. Shin, aged 54, was appointed as an independent non-executive Director on 14 August 2015 and is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Shin currently holds positions in the following listed companies:

Name of Company	Place of listing	Title
Lisi Group (Holdings) Limited *(formerly known as China Automobile New Retail (Holdings) Limited)* (stock code: 526)	Main Board	Independent non-executive director
Zhengye International Holdings Company Limited (stock code: 3363)	Main Board	Independent non-executive director
Olympic Circuit Technology Co., Ltd (stock code: 603920)	Shanghai Stock Exchange	Independent director

Board of Directors *(Continued)*

Mr. Shin Yick, Fabian *(Continued)*
Independent Non-executive Director

Mr. Shin was the company secretary of Victory City International Holdings Limited (stock code: 539), a company listed on the Main Board of the Stock Exchange, from January to April 2021, a senior consultant of a China-based securities company from June 2018 to January 2019, the chief executive officer of a private corporate finance company from August 2015 to May 2018 and the deputy chief executive officer of CMB International Capital Limited from February 2010 to July 2015. Mr. Shin has over 30 years of experience in investment banking and financial management. Prior to joining CMB International Capital Limited, he worked in several investment banks in Hong Kong.

Mr. Shin was an independent non-executive director of China Tianrui Automotive Interiors Co., Ltd (stock code: 6162), a company listed on the Main Board of the Stock Exchange, and a director of Bio-Key Incorporation Inc. (NADSDAQ: BKYI), a company listed on Nasdaq stock market of the United States up to his resignation on 15 September 2020 and 2 September 2020 respectively. He resigned from the post of a non-executive director of Pak Tak International Limited (stock code: 2668), a company listed on the Main Board of the Stock Exchange with effect from 3 February 2023.

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

Mr. Shin was subject to a public sanction imposed by the SFC in September 2020 for his failure to discharge his duties as a sponsor principal, a responsible officer and the chief executive officer of a licensed corporation and breaching of the Code of Conduct for Persons Licensed by or Registered with the SFC and the Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers and for the same incident, was reprimanded by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") in August 2021 for his failure to observe, maintain or otherwise apply the fundamental principle of professional behaviour under relevant sections of the applicable Code of Ethics for Professional Accountants. Further details were respectively set out in the Company's announcements dated 16 September 2020 and 25 August 2021. Mr. Shin resigned from his membership with HKICPA and was no longer a fellow member of the HKICPA with effect from 31 August 2021.

Report of the Directors

The Directors have pleasure in presenting this annual report and the audited consolidated financial statements of the Group for FY 2022.

Principal Activities and Business Review

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 1 to the consolidated financial statements. Further discussion and analysis of the activities as required by Schedule 5 to the Companies Ordinance, including a fair review of the Group's business, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and a review of the financial performance of the Group can be found in the Management Discussion and Analysis set out on pages 3 to 15 of this annual report. Discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations that have a significant impact on the Group, and key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set forth in the sections headed "Environmental Policies and Performance", "Compliance with Relevant Laws and Regulations" and "Relationships with Stakeholders" in this report of the Directors. The abovementioned discussions form parts of the business review as contained in this report of the Directors.

Results and Appropriations

The results of the Group for FY 2022 and the Group's financial position as at 31 December 2022 are set out in the consolidated financial statements on pages 58 to 130 of this annual report.

The Directors do not recommend the payment of a final dividend for FY 2022 (2021: Nil).

Share Capital

There were no movements in the Company's share capital during the year.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

Equity-linked Agreements

Save for the 2020 Share Option Scheme (as defined below) set out in the section headed "Share Option Scheme" on page 48 of this annual report and Note 23 to the consolidated financial statements, no equity-linked agreements were entered into during FY 2022 or subsisted at the end of FY 2022.

Distributable Reserves

As at 31 December 2022, the Company did not have any reserves available for distribution, calculated in accordance with the Companies Act (As Revised) of the Cayman Islands. The share premium account of the Company is available for distribution or payment of dividends to the Shareholders subject to the provisions of the Articles and provided that immediately following the distribution or the payment of dividends, the Company is able to pay its debts immediately as they fall due in the ordinary course of business.

Financial Summary

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 131 of this annual report.

Loans and Borrowings

Particulars of the loans and borrowings of the Group as at 31 December 2022 are set out in Note 20 to the consolidated financial statements.

Permitted Indemnity Provision

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

Important Past Year End Events

Since 31 December 2022, being the end of the financial year under review, and up to the date of this annual report, no important event materially affecting the Group has occurred.

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

During FY 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

Environmental Policies and Performance

The Group actively fulfils its social responsibility of enhancing environmental protection. In the Resources Business, the Group engages suppliers and service providers that place high priority on and show recognition of environmentally-friendly practices. In addition, the Group strives to raise its employees' environmental awareness and competence on environmental conservation through green office guidelines. Information about the Group's environmental policies and performance for FY 2022 is disclosed in the 2022 ESG Report of the Company.

Compliance with Relevant Laws and Regulations

The Company is a limited liability company incorporated in the Cayman Islands with its shares listed on the Main Board of the Stock Exchange. The Group's businesses are mainly conducted through its subsidiaries incorporated in Hong Kong with its customers, suppliers and business partners mainly located in Hong Kong, Australia, South Africa and Mainland China. During FY 2022, the Group was not aware of any material non-compliance or the breach of the applicable laws and regulations of the relevant jurisdictions by any member of the Group.

Relationship with Stakeholders

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

The Company provides a fair and safe workplace, promotes diversity to its staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationships with customers and provide the products in a way that satisfies needs and requirements of the customers. The Group enhances such relationships by continual interactions with customers to gain insights into the changing market demand for the products so that the Group can respond proactively.

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

During the Reporting Period, the Group had reliance on several major suppliers and customers of the Resources Business. Going forward, the Group will 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.

Further disclosures about the Group's trade and bills receivables and payables are set out in Notes 14 and 18 to the consolidated financial statements respectively.

Major Customers and Suppliers

The aggregate sales to the Group's five largest customers accounted for about 94% of the Group's total revenue for FY 2022 and the Group's sales to the largest customer accounted for about 42% of the Group's total revenue for the same financial year.

The aggregate purchases from the Group's five largest suppliers accounted for about 98% of the Group's total purchases in FY 2022 and the Group's purchases from the largest supplier accounted for about 70% of the Group's total purchases for the same financial year.

Except for MGI and Koolan, in which Shougang Group Co., Ltd., a Substantial Shareholder of the Company, had indirect interests, none of the Directors, their close associates (as defined under the Listing Rules), or any Shareholder (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any interest in the Group's five largest suppliers or five largest customers for FY 2022.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

Directors

The Directors during the financial year and up to the date of this annual report are:

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

In accordance with articles 106(1) and 106(2) of the Articles, Messrs. Chong Tin Lung, Benny and Tsui King Fai will retire from their office by rotation at the 2023 AGM. All the above retiring Directors, being eligible, shall offer themselves for re-election as Directors at the 2023 AGM.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules and considers all of its independent non-executive Directors to be independent in accordance with the guidelines as set out under the Listing Rules.

Changes in Director's Information

The changes in the Director's information since the disclosure made in the Interim Report 2022 are set out below:

Name of Director	Details of Changes
Mr. Tsui King Fai	Resigned as an independent non-executive director of Lippo China Resources Limited (stock code: 156) and China Aoyuan Group Limited (stock code: 3883), companies listed on the Main Board of the Stock Exchange, on 30 December 2022 and 20 January 2023 respectively.
Mr. Shin Yick, Fabian	Resigned as a non-executive director of Pak Tak International Limited (stock code: 2668), a company listed on the Main Board of the Stock Exchange, with effect from 3 February 2023

Save for the information disclosed above, there is no other information required to be disclosed in this report pursuant to rule 13.51B (1) of the Listing Rules.

Biographical Information of Directors and Senior Management

Brief biographical information of the Directors and senior management of the Company are set out in the section headed "Directors' and Senior Management's Profile" on pages 39 to 42 of this annual report.

Directors' Service Contracts

None of the Directors proposed for re-election at the 2023 AGM has entered into any service agreement with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in the paragraph headed "Connected Transactions" in this report of the Directors on page 51 of this annual report and "Related Party Transactions" in Note 25 to the consolidated financial statements, no Director or an entity connected with a Director, had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the Group's business, to which the Company or any of its subsidiaries was a party during or at the end of FY 2022.

Directors' Interests in Competing Business

During FY 2022 and up to the date of this annual report, none of the Directors or their close associates (as defined under the Listing Rules) have any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

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

As at 31 December 2022, none of the Directors and chief executive of the Company has 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) (the "Associated Corporations"), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company adopted a share option scheme (the "2020 Share Option Scheme") on 12 June 2020. No share option had been granted under the 2020 Share Option Scheme during FY 2022. Details of the 2020 Share Option Scheme are set out in Note 23 to the consolidated financial statements.

Rights to Purchase Shares or Debentures of Directors and Chief Executive

Other than the aforesaid 2020 Share Option Scheme of the Company, at no time during the year ended 31 December 2022 had the Company or any of its subsidiaries entered into any arrangement which enables the Directors or chief executive of the Company to have the right to subscribe for securities of the Company or any of its Associated Corporations or to acquire benefits by means of acquisition of Shares in or debentures of the Company or any of its Associated Corporations.

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

Long Position in Shares

As at 31 December 2022, so far as known to any Director or chief executive of the Company, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Nature of interest	Total number of Shares held	Approximate percentage of total issued Shares
Mak Siu Hang, Viola[(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 31 December 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.

Sufficiency of Public Float

According to information that is available to the Company and within the knowledge of the Directors, the percentage of the Shares which are in the hands of the public (as defined in the Listing Rules) exceeds 25% of the Company's total number of issued Shares during FY 2022 and up to the date of this annual report.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 16 to 38 of this annual report.

Connected Transactions

During FY 2022, the Group had not conducted any connected transactions or continuing connected transactions that were not exempt from the annual reporting requirement under Chapter 14A of the Listing Rules.

A summary of significant related party transactions is disclosed in Note 25 to the consolidated financial statements. These transactions conducted in FY 2022 constitute continuing connected transactions of the Company (as defined in Chapter 14A of the Listing Rules) that are exempt from any announcement, reporting, annual review, or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Tax Relief and Exemption

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares of the Company.

Annual General Meeting

The 2023 AGM of the Company is scheduled to be held on Thursday, 8 June 2023. A notice convening the 2023 AGM will be issued and disseminated to the Shareholders in due course.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer of the Shares accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Friday, 2 June 2023.

Auditor

The financial statements for FY 2022 have been audited by Messrs. Ernst & Young, who will retire at the 2023 AGM and, being eligible, offer itself for re-appointment. A resolution for the reappointment of Messrs. Ernst & Young as auditor of the Company is to be proposed at the 2023 AGM.

On behalf of the Board

Chong Tin Lung, Benny
Chairman

Hong Kong, 24 March 2023

Independent Auditor's Report

EY 安永

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

Opinion

We have audited the consolidated financial statements of Newton Resources Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 58 to 130, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matters *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue from the Group's sourcing and supply of iron ore and other commodities (the "Resources Business") amounted to US$201.5 million in the Group's consolidated financial statements for the year and was recorded on the gross basis. The Group recognises revenue from contracts with customers on a gross basis when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. We identified revenue recognition in respect of the Resources Business as our audit focus area because the terms of sales arrangements, including the timing of transfer of the products, delivery specifications including incoterms and nature of the promises to the customers, involve complexity and judgement in determining sales revenues on a gross or net basis and revenue recognition in the appropriate accounting period. The Group disclosed the accounting policies and details of revenue recognition in Note 2.4 Summary of significant accounting policies, Note 3 Significant accounting judgements and estimates and Note 4 Revenue and segment information to the consolidated financial statements.	We performed walkthroughs to obtain an understanding on the business model and the management's design of controls over the revenue cycle of the Resources Business. We reviewed the revenue recognition policy applied by the Group to check its compliance with the IFRS 15 requirements. Also, we reviewed how the terms of the sales arrangements were considered within the revenue recognition process, including the discretion in determining the pricing, the responsibility for the risk of price fluctuation, the quality of goods, inventory risk and the customers' complaints and requests, the timing of transfer of the products and delivery specifications, etc. In addition to substantive analytical reviews performed to obtain an understanding of how the revenue has trended over the year, we performed a detailed testing on transactions around the year-end to check whether revenues were recognised in the correct accounting period. We also tested journal entries focusing on unusual or irregular transactions regarding revenue recognition. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

(Continued)

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tong Ka Yan, Augustine.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Revenue	4	**201,487**	292,873
Cost of sales		**(198,686)**	(287,474)
Gross profit		**2,801**	5,399
Other income and gains, net		**126**	73
Selling and distribution costs		**(2,056)**	(2,258)
Administrative expenses		**(2,346)**	(2,611)
Impairment loss on other current financial assets	15	**–**	(1,318)
Finance expenses, net		**(742)**	(1,006)
Share of losses of an associate		**(7)**	(16)
Loss before tax	5	**(2,224)**	(1,737)
Income tax credit/(expenses)	7	**2**	(44)
Loss for the year		**(2,222)**	(1,781)
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(30)**	(38)
Other comprehensive income for the year, net of tax		**(30)**	(38)
Total comprehensive income for the year		**(2,252)**	(1,819)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
(Loss)/profit attributable to:			
Owners of the Company		**(2,136)**	(1,784)
Non-controlling interests		**(86)**	3
		(2,222)	(1,781)
Total comprehensive income attributable to:			
Owners of the Company		**(2,163)**	(1,830)
Non-controlling interests		**(89)**	11
		(2,252)	(1,819)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic and diluted *(US cents)*		**(0.05)**	(0.04)

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 US$'000	2021 US$'000
Non-current assets			
Property, plant and equipment	10	**175**	268
Right-of-use assets	11(a)	**340**	317
Other long-term asset	12	**13,422**	15,180
Investment in an associate	13	**208**	234
Total non-current assets		**14,145**	15,999
Current assets			
Trade and bills receivables	14	**23,156**	1,199
Other current financial assets	15	**7,454**	5,722
Prepayments and other receivables		**140**	153
Income tax recoverables		**61**	174
Restricted bank deposits	16	**4,399**	–
Cash and cash equivalents	17	**11,516**	14,504
Total current assets		**46,726**	21,752
Current liabilities			
Trade and bills payables	18	**25,235**	1,474
Other current financial liabilities		**1,762**	281
Contract liability	19	**688**	–
Other payables and accruals		**597**	298
Interest-bearing bank and other borrowings	20	**4,430**	5,295
Income tax payables		**5**	15
Total current liabilities		**32,717**	7,363
Net current assets		**14,009**	14,389
Total assets less current liabilities		**28,154**	30,388
Non-current liabilities			
Interest-bearing bank and other borrowings	20	**176**	158
Total non-current liabilities		**176**	158
Net assets		**27,978**	30,230

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 US$'000	2021 US$'000
Equity			
Equity attributable to owners of the Company			
Share capital	21	**46,890**	46,890
Reserves	22	**(19,817)**	(17,654)
		27,073	29,236
Non-controlling interests		**905**	994
Total equity		**27,978**	30,230

Chong Tin Lung, Benny
Director

Luk Yue Kan
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the Company							
	Share capital US$'000 Note 21	**Share premium account US$'000**	**Capital reserves US$'000**	**Exchange fluctuation reserve US$'000**	**Accum-ulated losses US$'000**	**Total US$'000**	**Non-controlling interests US$'000**	**Total equity US$'000**
At 1 January 2021	46,890	101,684	11,466	(60)	(128,914)	31,066	983	32,049
(Loss)/profit for the year	–	–	–	–	(1,784)	(1,784)	3	(1,781)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	(46)	–	(46)	8	(38)
Total comprehensive income for the year	–	–	–	(46)	(1,784)	(1,830)	11	(1,819)
At 31 December 2021 and 1 January 2022	**46,890**	**101,684**	**11,466**	**(106)**	**(130,698)**	**29,236**	**994**	**30,230**
Loss for the year	**–**	**–**	**–**	**–**	**(2,136)**	**(2,136)**	**(86)**	**(2,222)**
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(27)**	**–**	**(27)**	**(3)**	**(30)**
Total comprehensive income for the year	**–**	**–**	**–**	**(27)**	**(2,136)**	**(2,163)**	**(89)**	**(2,252)**
At 31 December 2022	**46,890**	**101,684***	**11,466***	**(133)***	**(132,834)***	**27,073**	**905**	**27,978**

* These reserve accounts comprise the deficiency in reserves of US$19,817,000 (2021: US$17,654,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 US$'000	2021 US$'000
Cash flows from operating activities			
Loss before tax:		**(2,224)**	(1,737)
Adjustments for:			
Finance costs		**742**	1,006
Bank interest income	5	**(117)**	(3)
Share of losses of an associate		**7**	16
Depreciation of items of property, plant and equipment	10	**99**	96
Depreciation of right-of-use assets	11(c)	**187**	122
Amortisation of other long-term asset	12	**1,758**	1,001
Loss on disposal of items of property, plant and equipment		**–**	1
Impairment loss on other current financial assets	15	**–**	1,318
Cash flows before working capital changes		**452**	1,820
(Increase)/decrease in trade and bills receivables		**(21,957)**	94,795
Increase in other current financial assets		**(1,918)**	(4,797)
Decrease in prepayments and other receivables		**13**	370
(Increase)/decrease in restricted bank deposits		**(4,399)**	4,905
Increase/(decrease) in trade and bills payables		**23,761**	(80,310)
Increase in other current financial liabilities		**1,481**	45
Increase in contract liability		**688**	–
Increase/(decrease) in other payables and accruals		**327**	(582)
Cash (used in)/generated from operations		**(1,552)**	16,246
Interest received		**103**	3
Hong Kong profits tax received/(paid)		**105**	(397)
Net cash flows (used in)/from operating activities		**(1,344)**	15,852

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	2022 US$'000	2021 US$'000
Cash flows from investing activities		
Purchase of items of property, plant and equipment	**(6)**	(179)
Net cash flows used in investing activities	**(6)**	(179)
Cash flows from financing activities		
Repayment of bank and other borrowings	**(889)**	(15,141)
Interest and other finance expenses paid	**(749)**	(1,101)
Principal portion of lease payments	**(161)**	(118)
Capital injection of a subsidiary from non-controlling interests	**200**	–
Net cash flows used in financing activities	**(1,599)**	(16,360)
Net decrease in cash and cash equivalents	**(2,949)**	(687)
Cash and cash equivalents at beginning of year	**14,504**	15,190
Effect of foreign exchange rate changes, net	**(39)**	1
Cash and cash equivalents at end of year	**11,516**	14,504
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,321**	14,504
Non-pledged time deposits with original maturity of less than three months when acquired	**9,195**	–
Cash and cash equivalents at end of year	**11,516**	14,504

1. Corporate and Group Information

Newton Resources Ltd (the "Company", and together with its subsidiaries, collectively the "Group") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

During the year, the principal activity of the Company was investment holding and the principal activities of its subsidiaries included sourcing and supply of iron ores and other commodities (the "Resources Business").

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2022 are as follows:

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company (%)		Principal activities
			Direct	Indirect	
Ace Profit Investment Limited ("Ace Profit")	Hong Kong	Hong Kong Dollars ("HK$") 1	–	100	Sourcing and supply of iron ores
Forever Brave Limited	Hong Kong	HK$1	100	–	Provision of management services
Shou Ji Holdings Limited	British Virgin Islands ("BVI")	United States Dollars ("US$") 4,000,000	–	75	Investment holding
Shou Ji International Trade Limited	Hong Kong	HK$1	–	100	Sourcing and supply of iron ores
Shou Ji International Transport Limited	BVI	US$1	–	100	Provision of management services
Shou Ji Services Limited	Hong Kong	HK$2	–	75	Provision of management services
Shou Ji Trading Limited	Hong Kong	HK$1	–	75	Sourcing and supply of iron ores
Xingan League Newton Trading Company Limited*	People's Republic of China ("PRC")/ Mainland China	Renminbi ("RMB") 40,000,000	–	100	Sourcing and supply of other commodities

* It is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain trade and bills receivables, certain trade and bills payables and iron ore futures/swap contracts accounted for as financial assets or liabilities at fair value through profit or loss which have been measured at fair value. These financial statements are presented in US$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 Basis of Preparation *(Continued)*

Basis of consolidation *(Continued)*

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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 IFRS Standards 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 year has had no material impact on the Group's financial performance and positions for the current year and on disclosures set out in the consolidated financial statements.

2.3 Issued but not yet Effective International Financial Reporting Standards

The Group has not applied the following new and amended IFRSs which were issued before 31 December 2022 but not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1,5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

The Group is in the process of making an assessment of the impact of these new and amended IFRSs upon initial application. The Group is not yet in a position to ascertain their impacts on the Group's results of operations and financial position.

2.4 Summary of Significant Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.4 Summary of Significant Accounting Policies *(Continued)*

Fair value measurement *(Continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit (the "CGU")'s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of impaired assets.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity; and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 25%
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 Summary of Significant Accounting Policies *(Continued)*

Long-term asset relating to a commodity supply contract with forward purchases of future outputs at discount (the "Contract")

The Group entered into the Contract, pursuant to which there is an expectation in the quantity of commodities to be received under the Contract at the date of inception based on the estimated reserves and resources of the underlying mine and the contractual entitlements to future outputs. In view of the future outputs that will be physically delivered by the supplier and the purchases at discount by the Group that will not be net settled in cash under the Contract, the Group made an upfront payment to acquire the contractual rights and obligations under the Contract which would be considered as a deposit in exchange for the entitlements to the pre-sold commodities with purchase discounts offered by the supplier for the estimated quantities of commodities to be received at future dates under the Contract.

The upfront payment of the Group is recorded as a non-current asset, which is stated at cost less accumulated amortisation and any impairment losses. Amortisation is recognised on the unit-of-production basis by matching the physical delivery of commodities over the estimated output of commodities entitled by the Group.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 Summary of Significant Accounting Policies *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

2.4 Summary of Significant Accounting Policies *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of offices premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Group has a significant proportion of trade and bills receivables with embedded derivatives for provisional pricing. These receivables are generally held to collect contract cash flows but do not meet the SPPI criteria and as a result must be held at fair value through profit or loss. Subsequent fair value gains or losses are taken to profit or loss.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income.

2.4 Summary of Significant Accounting Policies *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss *(Continued)*

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets

The Group recognises an allowance for expected credit loss ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 Summary of Significant Accounting Policies *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other current financial liabilities.

2.4 Summary of Significant Accounting Policies *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost
After initial recognition, the Group's interest-bearing bank borrowing is subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case it is stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 Summary of Significant Accounting Policies *(Continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as futures/swaps, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by IFRS 9 is recognised in profit or loss as cost of sales, or revenue from other sources. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 Summary of Significant Accounting Policies *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

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

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

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

Deferred tax assets are recognised for all deductible temporary differences and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 Summary of Significant Accounting Policies *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Sale of iron ores

Revenue from the sale of iron ores is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of these products.

Certain of the Group's products are provisionally priced at the date when revenue is recognised; however, substantially all iron ore sales are reflected at final prices in the results for the year. The final selling price for all provisionally priced products is based on the price for the quotational period stipulated in the contract. Final prices for iron ores are normally determined within three months after delivery to the customer. The change in value of the provisionally priced receivable is based on the relevant forward market prices and is recognised in revenue from other sources.

(b) Shipping services

For Cost and Freight ("CFR") arrangements, the Group is responsible for providing shipping services (as principal) after the date that the Group transfers control of the iron ore to its customers. The Group, therefore, has a separate performance obligation for shipping services which are provided solely to facilitate the sale of the commodities. The transaction price is allocated to the iron ore and shipping services using the relative stand-alone selling price method. The output method is used for measuring progress of the shipping services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

Revenue from providing shipping services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group.

2.4 Summary of Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

(a) Quotation period price adjustments

A proportion of the Group's sales are provisionally priced, where the final price is referenced to a future market-based index price. Adjustment to the sales price occurs based on movements in the index price up to the end of the quotation period (the "QP"). These are referred to as provisional pricing arrangements and that the final price for the iron ore is determined on a specified future date or future QP after shipment to the customer. Adjustments to the sales price therefore occur up until the end of the QP and any future changes that occur over the QP are embedded within trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables are measured at fair value through profit or loss (Note 14 to the consolidated financial statements). Subsequent changes in the fair value of provisionally priced trade receivables are recognised in revenue but are presented separately from revenue from contracts with customers. Final price is normally determined within three months after delivery to the customer.

(b) Gain or loss on iron ore futures/swap contracts

The Group's designated hedging executives are responsible for managing the Group's exposure over iron ore price fluctuation by entering into iron ore futures and swaps contracts. Net gain or loss from those hedging tools to manage the operational risks that may arise from the selling of iron ore is recognised as revenue from other sources.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 Summary of Significant Accounting Policies *(Continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

The Group's employer contributions vest fully with the employees when contributed into the Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") in accordance with the rules of the MPF Scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions cannot be used to reduce the contributions payable by the Group.

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government (the "Central Pension Scheme"). These subsidiaries are required to contribute 20% of its payroll costs to the Central Pension Scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the Central Pension Scheme. Under the Central Pension Scheme, no forfeited contributions can be used by the employer to reduce existing level of contributions.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in US$, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

2.4 Summary of Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain subsidiaries and an associate are currencies other than US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into US$ at the relevant average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates prevailing on the dates of transactions are used.

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

For the purpose of the consolidated statement of cash flows, cash flows of foreign operating subsidiaries are translated into US$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these subsidiaries which arise throughout the year are translated into US$ at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

3.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determining revenue from contracts with customers on the gross basis

Determining whether revenue of the Group should be reported on a gross or net basis is a continuing assessment of various factors. Since the Group has sole discretion in determining the product pricing, takes full responsibility of the goods sold or services provided to the customers, and is also responsible for the risk associated with the goods before change of control over the goods and the customers' complaints and requests, the Group considers that it controls the specified goods or services before their delivery to its customers and is a principal in the transactions. Accordingly, the Group recognises revenue on the gross basis. Otherwise, the Group records the net amount earned as commission income from products sold or services provided.

(b) Identifying performance obligation and determining the timing of satisfaction of shipping services

For the Group's sales to customers under CFR sales arrangements, the Group is responsible for providing shipping services which is a separate performance obligation, other than the transfer of goods. While the Group does not directly operate the vessels, the Group has determined that it is a principal in these arrangements because it controls the specified services before they are provided to the customers. The terms of the Group's contracts with the service providers give the Group the ability to direct the service providers to provide the specified shipping services on the Group's behalf.

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

3.1 Judgements *(Continued)*

(b) Identifying performance obligation and determining the timing of satisfaction of shipping services *(Continued)*

The Group has also considered that revenue for shipping services is recognised over time because the customers simultaneously receive and consume the benefits from the services provided by the Group. The fact that another entity would not need to re-perform the shipping services that the Group has provided to date demonstrates that the customers simultaneously receive and consume the benefits of the Group's performance as it performs. The Group determined that the output method is the best method for measuring progress of the shipping services because there is a direct relationship between the Group's effort and the progress of transfer of services to the customers. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the services.

(c) Determining the lease term of contracts with renewal options

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease, and it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). The renewal period for lease of the Group's office premise is not included as part of the lease term upon inception of the lease as it is not reasonably certain to be exercised.

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

3.2 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

(a) Impairment of other long-term asset

The Group assesses whether there are any indicators of impairment for other long-term asset at the end of each reporting period. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the value in use and its fair value less costs of disposal of the CGUs. The carrying values of the other long-term asset are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment assessments (the value in use calculations) require the use of estimates and assumptions such as mine reserves of the Hematite Mine (as defined in Note 12 to the consolidated financial statements), long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, and the Group's operating performance (which includes sales volumes of the Group derived from the Hematite Mine). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of the CGUs. In such circumstances, some or all of the carrying amounts of the CGUs may be impaired with the impact recognised in profit or loss.

(b) Provision for expected credit losses on other current financial assets at amortised cost

For other current financial assets at amortised cost, the ECL is recognised in two stages, the 12-month ECL and lifetime ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

3.2 Estimation uncertainty *(Continued)*

(c) Provision for onerous contract

The provision for onerous contract is based on the difference between the total expected cash inflow (revenue) and the total value of future cash outflow (expenses) that the Group is obligated to make for the remaining term of the contracts. Considerable amounts of estimates and judgements are required in assessing the expected revenue and expected expenses in the future. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, onerous contract provision is recognised. The key assumptions used in assessing provision include estimated commodity prices of future quotation period and price adjustments for iron grade and impurities.

(d) Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. Revenue and Segment Information

The Resources Business was the only reportable business segment of the Group during the years ended 31 December 2022 and 2021.

An analysis of revenue is as follows:

	2022 US$'000	2021 US$'000
Revenue from contracts with customers	**206,107**	273,377
Revenue from other sources:		
Quotation period price adjustments (Note)		
– relating to prior year shipments	**–**	7,029
– relating to current year shipments	**(8,567)**	12,136
Net gains on iron ore futures or swap contracts	**3,947**	331
	201,487	292,873

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 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 31 December 2022, certain of the Group's revenue, that was recognised subject to provisional pricing adjustments, has yet to be finalised. Such revenue would usually be finalised within three months after the inventories were delivered. The Group's revenue, that was recognised subject to provisional pricing arrangements as at 31 December 2021, had all been finalised.

4. Revenue and Segment Information *(Continued)*

(a) Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 US$'000	2021 US$'000
Types of goods/services		
Sale of iron ores	**180,777**	254,248
Shipping services	**25,330**	19,129
Total revenue from contracts with customers	**206,107**	273,377
Geographical markets (Note)		
Mainland China	**197,806**	273,377
Others	**8,301**	–
Total revenue from contracts with customers	**206,107**	273,377
Timing of revenue recognition		
Goods transferred at a point in time	**180,777**	254,248
Services transferred over time	**25,330**	19,129
Total revenue from contracts with customers	**206,107**	273,377

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

4. Revenue and Segment Information *(Continued)*

(a) Revenue from contracts with customers *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of iron ores
Each iron ore shipment is governed by a sales contract with the customer. For the Group's iron ores that are sold on a CFR incoterms basis, the Group is also responsible for providing shipping services, which represents a separate performance obligation in these situations.

Revenue from sales of iron ores are recognised when control of the iron ores passes to the customer, which generally occurs at a point in time when the iron ores are physically transferred onto a vessel. This is the point where title passes to the customer together with significant risks and rewards of ownership.

Shipping services
Under the CFR sales arrangements, revenue from the provision of shipping services is recognised over time using an output basis to measure the Group's progress towards complete satisfaction of the services. This basis best represents the Group's performance and that the customers simultaneously receive and consume the benefits provided by the Group as the services are being provided.

4. Revenue and Segment Information *(Continued)*

(b) Geographical Segment Information

(i) Revenue from external customers

	2022 US$'000	2021 US$'000
Mainland China	**194,170**	292,873
Others	**7,317**	–
Total revenue from external customers	**201,487**	292,873

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

(ii) The Group's non-current assets mainly represented the long-term asset relating to the Contract which is operated and based in Hong Kong.

(c) Information about major customers

The analysis of the Group's revenue from major customers (including revenue from contracts with customers and those arisen from the QP price adjustments but excluding gains or losses on iron ore futures or swap contracts), which contributed 10% or more to the Group's revenue, is as follows:

	2022 US$'000	2021 US$'000
Customer A	**83,915**	205,591
Customer B	**44,809**	N/A[1]
Customer C	**27,215**	N/A[1]

1 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. Loss Before Tax

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

	Notes	2022 US$'000	2021 US$'000
Cost of inventories sold		**165,807**	268,467
Shipping costs		**25,330**	19,129
Net losses/(gains) on iron ore futures or swap contracts included in cost of sales		**5,791**	(1,123)
Amortisation of other long-term asset included in cost of sales	12	**1,758**	1,001
Depreciation of items of property, plant and equipment	10	**99**	96
Depreciation of right-of-use assets	11(c)	**187**	122
Licence fees not included in the measurement of lease liabilities	11(c)	**–**	218
Auditors' remuneration (including out-of-pocket expenses)		**274**	287
Government subsidy – Employment Support Scheme#		**(67)**	–
Employee benefit expenses (excluding directors' remuneration (Note 6)):			
– Wages, salaries and allowances		**2,024**	2,298
– Pension scheme contributions (defined contribution scheme)*		**68**	78
Bank interest income		**(117)**	(3)
Interest on bank and other borrowings		**346**	385
Guarantee fee		**390**	644
Interest on lease liabilities	11(c)	**13**	17
Net foreign exchange losses/(gains)		**51**	(108)
Loss on disposal of items of property, plant and equipment		**–**	1

Being the aggregate amount of approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC, for the Group.

* There were no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. Emoluments of Directors and Senior Management

Details of the remuneration of directors, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation for the years ended 31 December 2022 and 2021 were as follows:

	2022 **US$'000**	2021 US$'000
Fees	**108**	108
Other emoluments:		
Salaries, allowances and benefits in kind	**505**	510
Discretionary bonuses	**43**	43
Pension scheme contributions	**4**	4
	552	557
Total	**660**	665

During the year, no director of the Company has waived or agree to waive any emoluments.

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

(a) Executive directors and non-executive directors

The remuneration paid to executive and non-executive directors during the years ended 31 December 2022 and 2021 were as follows:

	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Discretionary bonuses US$'000	Pension scheme contributions US$'000	Total US$'000
2022					
Executive directors:					
Mr. Chong Tin Lung, Benny	**–**	**245**	**21**	**2**	**268**
Mr. Luk Yue Kan	**–**	**260**	**22**	**2**	**284**
Total	**–**	**505**	**43**	**4**	**552**
2021					
Executive directors:					
Mr. Chong Tin Lung, Benny	–	247	21	2	270
Mr. Luk Yue Kan	–	263	22	2	287
Total	–	510	43	4	557

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

(b) Independent non-executive directors

The director fees paid to independent non-executive directors during the years ended 31 December 2022 and 2021 were as follows:

	2022 **US$'000**	2021 US$'000
Mr. Tsui King Fai	**36**	36
Mr. Lee Kwan Hung, Eddie	**36**	36
Mr. Shin Yick, Fabian	**36**	36
	108	108

The independent non-executive directors did not receive any other remuneration, allowances or benefits in kind for holding their office as independent non-executive directors of the Company.

(c) Five highest paid individuals

The five highest paid individuals during the year included two (2021: two) directors, details of whose remuneration are set out in Note 6(a) above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director nor chief executive of the Company were as follows:

	2022 **US$'000**	2021 US$'000
Salaries, allowances and benefits in kind	**453**	465
Discretionary bonuses	**632**	654
Pension scheme contributions	**7**	7
	1,092	1,126

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

(c) Five highest paid individuals *(Continued)*

The number of non-director and non-chief executive, highest paid individuals whose remuneration fell within the following bands is as follows:

	Number of Individuals	
	2022	2021
HK$1,000,001 to HK$1,500,000	**1**	1
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,500,001 to HK$4,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**1**	–
	3	3

During the year ended 31 December 2022, no emoluments were paid by the Group to any of the persons who are or were directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office, as a director of any member of the Group or of any other office in connection with the management of affairs of any member of the Group.

(d) Emoluments of senior management

The emoluments of senior management whose profiles are included in the section headed "Directors' and Senior Management's Profile" on pages 39 to 42 of this annual report are already disclosed as the emoluments of directors in Note 6(a) above.

7. Income Tax (Credit)/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 year, 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%).

The provision for the PRC corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Mainland China as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2022 and 2021.

	2022 **US$'000**	2021 US$'000
Current – Hong Kong		
Charge for the year	**–**	45
Over provision in prior years	**(2)**	(1)
Total tax (credit)/charge for the year	**(2)**	44

7. Income Tax (Credit)/Expenses *(Continued)*

A reconciliation of the tax expense applicable to loss before tax at the statutory income tax rate in Hong Kong where the main operating entities of the Group are domiciled to the tax expense at the effective tax rate is as follows:

	2022 US$'000	2021 US$'000
Loss before tax	**(2,224)**	(1,737)
Tax at the statutory income tax rate (16.5%)	**(367)**	(287)
Effect of different tax rates	**(1)**	(138)
Income not subject to tax	**(28)**	(14)
Expenses not deductible for tax	**92**	122
Over provision in prior years	**(2)**	(1)
Tax effect of unrecognised tax losses and deductible temporary differences	**304**	362
Tax charge at the Group's effective rate (2022: 0.1%; 2021: (2.5%))	**(2)**	44

At the end of the reporting period, the Group has unrecognised tax losses arising from entities operating in Hong Kong of US$2,784,000 (2021: US$952,000) that are available indefinitely for offsetting against future taxable profits of the entities in which the losses arose. The Group also has unrecognised temporary difference arising from an entity operating in Mainland China of US$2,808,000 (2021: US$3,062,000) related to the impairment losses on other current financial assets. Deferred tax assets have not been recognised in respect of these estimated tax losses and deductible temporary differences as it is considered not probable that sufficient taxable profits will be available against which the unused tax losses and deductible temporary differences can be utilised by the Group.

8. Dividend

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the years 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 years ended 31 December 2022 and 2021.

The calculation of basic loss per share is based on:

	2022	2021
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic loss per share calculation *(US$'000)*	**(2,136)**	(1,784)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation *(thousands of shares)*	**4,000,000**	4,000,000

Diluted loss per share amounts were the same as the basic loss per share amounts as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

10. Property, Plant and Equipment

	Leasehold improvements US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost:				
At 1 January 2021	87	81	75	243
Additions	54	25	100	179
Write-off	–	(2)	–	(2)
Exchange realignment	(1)	3	(1)	1
At 31 December 2021 and 1 January 2022	**140**	**107**	**174**	**421**
Additions	**2**	**4**	**–**	**6**
Write-off	**–**	**(1)**	**–**	**(1)**
Exchange realignment	**–**	**(1)**	**(6)**	**(7)**
At 31 December 2022	**142**	**109**	**168**	**419**
Accumulated depreciation:				
At 1 January 2021	(14)	(40)	(3)	(57)
Provided for the year	(15)	(15)	(66)	(96)
Write-off	–	1	–	1
Exchange realignment	–	–	(1)	(1)
At 31 December 2021 and 1 January 2022	**(29)**	**(54)**	**(70)**	**(153)**
Provided for the year	**(46)**	**(20)**	**(33)**	**(99)**
Write-off	**–**	**1**	**–**	**1**
Exchange realignment	**–**	**2**	**5**	**7**
At 31 December 2022	**(75)**	**(71)**	**(98)**	**(244)**
Net carrying amount:				
At 31 December 2022	**67**	**38**	**70**	**175**
At 31 December 2021	111	53	104	268

11. Leases

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises* US$'000
At 1 January 2021	200
Additions	239
Depreciation charge	(122)
At 31 December 2021 and 1 January 2022	**317**
Additions	**210**
Depreciation charge	**(187)**
At 31 December 2022	**340**

* The Group has lease contracts for office premises. The leases of office premises generally have lease terms of 2 to 3 years, and the Group is restricted from assigning and subleasing the leased assets outside the Group.

11. Leases *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings (Note 20 to the consolidated financial statements)) and the movements during the year are as follows:

	2022 US$'000	2021 US$'000
Carrying amount at 1 January	**333**	212
New leases	**210**	239
Accretion of interest recognised during the year	**13**	17
Payments	**(174)**	(135)
Carrying amount at 31 December	**382**	333
Analysed into:		
Current portion	**206**	175
Non-current portion	**176**	158

The maturity analysis of lease liabilities is disclosed in Note 20 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Note	**2022 US$'000**	2021 US$'000
Interest on lease liabilities	5	**13**	17
Depreciation charge of right-of-use assets	5	**187**	122
Expense relating to short-term leases	5	**–**	218
Total amount recognised in profit or loss		**200**	357

11. Leases *(Continued)*

The Group as a lessee *(Continued)*

(d) Extension option

The Group has a lease contract that include an extension option. This option is negotiated by management to provide flexibility in managing the leased-asset portfolio and it is aligned with the Group's business needs. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of the extension option that is not included in the lease terms:

	Payable within five years	
	2022	2021
	US$'000	US$'000
Extension option expected not to be exercised	**264**	516

(e) The total cash outflow for leases is disclosed in Note 24(c) to the consolidated financial statements.

12. Other Long-Term Asset

	2022	2021
	US$'000	US$'000
At 1 January	**15,180**	16,181
Amortisation provided	**(1,758)**	(1,001)
At 31 December	**13,422**	15,180

The Group recognised the contractual rights and obligations to purchase hematite ores from the hematite mine (the "Hematite Mine") under the Contract as the other long-term asset as at 31 December 2022 and 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.

13. Investment in an Associate

	2022 **US$'000**	2021 US$'000
Share of net assets	**208**	234

Particulars of the associate are as follows:

Name	**Registered share capital**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group** (%)	**Principal activities**
Inner Mongolia Nogoonshil Eco-Management Co., Ltd.	RMB10,000,000	Mainland China	15	Environmental restoration and ecological greening services

The Group's shareholding in the associate is held through a wholly-owned subsidiary of the Company. The Group nominates one director out of seven in the board of directors of the associate.

14. Trade and Bills Receivables

	2022 US$'000	2021 US$'000
Trade receivables	**4,336**	–
Bills receivables	**18,820**	1,199
Total	**23,156**	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 31 December 2022 and 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 31 December 2022 and 2021.

	2022 US$'000	2021 US$'000
Trade and bills receivables		
– at amortised cost	**–**	1,199
– at fair value through profit or loss (Note)	**23,156**	–
Total	**23,156**	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$23,156,000 at 31 December 2022 (2021: Nil) and were stated at the fair value.

14. Trade and Bills Receivables *(Continued)*

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:

	2022 **US$'000**	2021 US$'000
Within 3 months	**23,156**	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. As at 31 December 2022, the Group's trade receivables were not yet past due (2021: Nil), therefore, the credit risk related to the receivables at amortised cost was considered to be immaterial.

15. Other Current Financial Assets

Set out below is an overview of other current financial assets of the Group as at 31 December 2022 and 2021.

	Notes	**2022** **US$'000**	2021 US$'000
Other current financial assets at fair value through profit or loss			
– Iron ore futures or swap contracts	(a)	**2,134**	–
Other current financial assets at amortised cost			
– Coal deposit	(b)	**2,808**	3,062
– Other deposits and receivables	(c)	**5,320**	5,722
		10,262	8,784
Impairment allowance	(b)	**(2,808)**	(3,062)
Total		**7,454**	5,722

15. Other Current Financial Assets *(Continued)*

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

	Note	2022 US$'000	2021 US$'000
At 1 January		**3,062**	1,686
Impairment loss	(b)	**–**	1,318
Exchange realignment		**(254)**	58
At 31 December		**2,808**	3,062

Notes:

(a) As at 31 December 2022, the Group had an aggregate open position of iron ore futures or swap contracts of 60,000 tonnes expiring by the end of January 2023 with a positive contract value of US$2,134,000 (2021: Nil) which has been recognised as financial assets at fair value through profit or loss.

(b) In view of the long ageing, slow progress of repayment and greater uncertainty for a full recovery of the refundable contractual deposit paid by the Group pursuant to a coal purchase agreement which expired in 2018 despite the Group's continuous effort to pursue for settlement, an impairment allowance of US$1,318,000 was made by the Group during the year ended 31 December 2021.

(c) As at 31 December 2022, the balance mainly represented a deposit of US$3,862,000 held by a securities firm for iron ore futures or swap transactions (2021: US$5,007,000).

16. Restricted Bank Deposits

As at 31 December 2022, the balance represented bank deposits restricted by banks to secure the issuance of letters of credit. The restricted bank deposits amounted to US$4,399,000 will be utilised or released upon the settlement of the letters of credit, which will be within twelve months from the end of the reporting period and are therefore classified as current assets (2021: Nil). The restricted bank deposits were denominated in US$.

17. Cash and Cash Equivalents

	2022 **US$'000**	2021 US$'000
Cash and bank balances	**2,321**	14,504
Time deposits	**9,195**	–
Cash and cash equivalents	**11,516**	14,504

The Group's cash and cash equivalents are denominated in the following currencies as at 31 December 2022 and 2021:

	2022 **US$'000**	2021 US$'000
Cash and cash equivalents denominated in:		
US$	**9,340**	13,692
HK$	**1,705**	315
RMB	**471**	497
	11,516	14,504

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods ranging from one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The carrying amounts of the cash and bank balances in the consolidated statement of financial position approximate to their fair values.

18. Trade and Bills Payables

Certain of the Group's purchases are settled by letters of credit up to a tenor of 120 days. As at 31 December 2022, the Group's bills payable amounted to US$20,207,000 (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:

	2022 US$'000	2021 US$'000
Within 3 months	**25,235**	1,465
3 months to 1 year	**–**	9
	25,235	1,474

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

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

	2022 US$'000	2021 US$'000
Trade and bills payables		
– at amortised cost	**315**	1,474
– at fair value through profit or loss (Note)	**24,920**	–
Total	**25,235**	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$24,920,000, were measured at the estimated forward commodity prices for the relevant QPs at 31 December 2022 (2021: Nil) and were stated at the fair value.

19. Contract Liability

	2022 US$'000	2021 US$'000
Advance received from a customer	**688**	–

Contract liability comprised of the short-term advance from a customer relating to the shipping services to be rendered by the Group.

20. Interest-Bearing Bank and Other Borrowings

	Note	**2022** Effective interest rate (%)	**2022** US$'000	2021 Effective interest rate (%)	2021 US$'000
Current					
Other borrowing – unsecured		**6.0**	**4,224**	6.0	5,120
Lease liabilities	11(b)	**3.0**	**206**	3.0-8.6	175
			4,430		5,295
Non-Current					
Lease liabilities	11(b)	**3.0**	**176**	3.0	158
			176		158
Total			**4,606**		5,453

	2022 US$'000	2021 US$'000
Analysed into:		
Other borrowings repayable:		
Within one year	**4,430**	5,295
In the second year	**176**	85
In the third to fifth years, inclusive	**–**	73
	4,606	5,453

As at 31 December 2022 and 2021, the Group's other borrowings were unsecured and denominated in HK$.

21. Share Capital

Shares

	2022	2021
	HK$'000	HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
	US$'000	US$'000
Issued and fully paid:		
4,000,000,000 ordinary shares of HK$0.1 each, totally HK$400,000,000	**46,890**	46,890

22. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 62 of the consolidated financial statements.

23. 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 ("2020 Scheme Options") as incentives or rewards to eligible participants for their contribution to the Group. Pursuant to the scheme rules of the 2020 Share Option Scheme, eligible participants of the 2020 Share Option Scheme include the directors (including independent non-executive directors) of the Group or any entities in which the Group holds an equity interest ("Invested Entity"), employees of the Group or any Invested Entity, suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, any person or entity providing design, research, development or other technological support to the Group or any Invested Entity, the shareholders of the Group or any Invested Entity, any non-controlling shareholder in the Company's subsidiaries, any advisor (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity, any person seconded or nominated by the Group to represent the Group's interest in any of the Invested Entity and any other group of classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

23. Share Option Scheme *(Continued)*

The Company is aware that under the new rule 17.03A of the Listing Rules which came into effect on 1 January 2023, participants of share schemes shall only comprise of employee participants, related entity participants and service providers (as defined in the Listing Rules). The Company will only grant the 2020 Scheme Options to eligible participants in compliance with the new rule 17.03A and pursuant to the transitional arrangements for share schemes existing as at 1 January 2023 as specified by the Stock Exchange. Unless otherwise terminated 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.

As at the date of this annual report, the total number of shares which may be issued upon exercise of all 2020 Scheme Options to be granted under the 2020 Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 10% of the Company's shares in issue as at the date of approval of the 2020 Share Option Scheme, which is equivalent to a maximum of 400,000,000 shares based on the number of Company's shares in issue as at 12 June 2020 of 4,000,000,000 shares, unless otherwise approved by the shareholders of the Company in a general meeting for refreshing the scheme mandate limit. Options lapsed in accordance with the terms of the 2020 Share Option Scheme will not be counted for the purpose of calculating the 10% limit.

The maximum number of shares issuable under 2020 Scheme Options to each eligible participant in the 2020 Share Option Scheme within any 12-month period up to and including the date of such grant shall not exceed 1% of the shares of the Company in issue. Any further grant of 2020 Scheme Options in excess of this limit is subject to shareholders' approval in a general meeting.

2020 Scheme Options granted to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, are subject to approval by the independent non-executive directors. In addition, any shares issuable under 2020 Scheme Options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of offer) in excess of HK$5 million, within any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting.

The vesting period of the 2020 Scheme Options to be granted is determinable by the directors and to be stated in the offer to the grantee. The exercise period of the 2020 Scheme Options to be granted is also determinable by the directors, save that such period must not exceed 10 years from the date of offer of 2020 Scheme Options. The offer of a grant of 2020 Scheme Options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

23. Share Option Scheme *(Continued)*

The exercise price of 2020 Scheme Options is determined by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of 2020 Scheme Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. The 2020 Scheme Options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No option has been granted under the 2020 Share Option Scheme during the year ended 31 December 2022 and up to the date of this annual report. As at the beginning and the end of the reporting period and the date of approval of these financial statements, no option was outstanding under the 2020 Share Option Scheme. Accordingly, the total number of the Company's shares available for issue upon exercise of the options that may be granted under the 2020 Share Option Scheme and any other share option scheme(s) of the Company is 400,000,000 shares, representing 10% of the Company's shares in issue as at the date of this annual report.

24. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of US$210,000 (2021: US$239,000) and US$210,000 (2021: US$239,000), respectively, in respect of lease arrangements for office premises.

24. Notes to the Consolidated Statement of Cash Flows *(Continued)*

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings US$'000
At 1 January 2021	20,513
Changes from financing cash flows	(15,259)
New leases	239
Foreign exchange movement	(40)
At 31 December 2021 and 1 January 2022	**5,453**
Changes from financing cash flows	**(1,050)**
New leases	**210**
Foreign exchange movement	**(7)**
At 31 December 2022	**4,606**

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2022 US$'000	2021 US$'000
Within operating activities	**–**	(218)
Within financing activities	**(174)**	(135)
	(174)	(353)

25. Related Party Transactions

(a) The Group had the following transactions with related parties during the year:

	Notes	**2022** **US$'000**	2021 US$'000
Guarantee fee paid and payable to a substantial shareholder of the Company	(i)	**390**	644
Licence fees for office premises paid to associates of a substantial shareholder of the Company	(ii)	**–**	218

Notes:

(i) A substantial shareholder (as defined in the Listing Rules) of the Company (the "Guarantor") has guaranteed and indemnified the obligations of Ace Profit under the Contract mentioned in Note 12 to the consolidated financial statements 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.

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 fees were charged during the year ended 31 December 2021 in accordance with two licence agreements entered into between the Company and two respective associates (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. These transactions were conducted on normal commercial terms and in the usual and ordinary course of business of the Group and constituted de minimis continuing connected transactions which were fully exempt from the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(b) Compensation of key management personnel

Other than the emoluments paid to the directors and the chief executive of the Company (being the key management personnel of the Company) as disclosed in Note 6 to the consolidated financial statements, there was no significant compensation arrangement during the year.

26. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2022 US$'000	2021 US$'000
Financial assets		
Financial assets at fair value through profit or loss		
Trade and bills receivables	**23,156**	–
Other current financial assets	**2,134**	–
	25,290	–
Financial assets at amortised cost		
Trade and bills receivables	**–**	1,199
Other current financial assets	**5,320**	5,722
Restricted bank deposits	**4,399**	–
Cash and cash equivalents	**11,516**	14,504
	21,235	21,425
Total	**46,525**	21,425
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Trade and bills payables	**24,920**	–
Financial liabilities at amortised cost		
Trade and bills payables	**315**	1,474
Other current financial liabilities	**1,762**	281
Interest-bearing bank and other borrowings	**4,606**	5,453
	6,683	7,208
Total	**31,603**	7,208

27. 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	
	2022 US$'000	2021 US$'000	**2022 US$'000**	2021 US$'000
Financial assets				
Trade and bills receivables at fair value through profit or loss	**23,156**	–	**23,156**	–
Other current financial assets at fair value through profit or loss	**2,134**	–	**2,134**	–
	25,290	–	**25,290**	–
Financial liabilities				
Trade and bills payables at fair value through profit or loss	**24,920**	–	**24,920**	–

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

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

- The fair values of trade and bills receivables and trade and bills payables classified as financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss respectively 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 iron ore futures or swap contracts with various counterparties which are measured with reference to the commodity's quoted market prices.

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

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets and liabilities measured at fair value

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Financial assets:				
Trade and bills receivables	–	23,156	–	23,156
Other current financial assets at fair value through profit or loss	2,134	–	–	2,134
	2,134	23,156	–	25,290
Financial liabilities:				
Trade and bills payables	–	24,920	–	24,920

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

28. Financial Risk Management Objectives and Policies

The financial assets of the Group mainly include trade and bills receivables, other current financial assets, restricted bank deposits and cash and cash equivalents, which arise directly from its operations. Financial liabilities of the Group mainly include trade and bills payables, other current financial liabilities and interest-bearing bank and other borrowings.

The Group also enters into iron ore futures or swap contracts in order to manage the commodity price risk arising from the Group's operations. The Group's accounting policies in relation to iron ore futures or swap contracts are set out in Note 2.4 to the consolidated financial statements.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and commodity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

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 year ended 31 December 2022. Currently, the Group does not have any foreign currency hedging policy.

Credit risk

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. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group has not held any collateral or other credit enhancements over its receivable balances.

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

Credit risk *(Continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022 and 2021. The amounts presented are gross carrying amounts for financial assets.

2022

	12-month ECLs Stage 1 US$'000	Lifetime ECLs Stage 3 US$'000	Total US$'000
Other current financial assets at amortised cost			
– Normal*	5,320	–	5,320
– Doubtful*	–	2,808	2,808
Restricted bank deposits – Not yet past due	4,399	–	4,399
Cash and cash equivalents – Not yet past due	11,516	–	11,516
	21,235	2,808	24,043

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

Credit risk *(Continued)*

Maximum exposure and year-end staging *(Continued)*

2021

		Lifetime ECLs		
	12-month ECLs Stage 1 US$'000	Stage 3 US$'000	Simplified approach US$'000	Total US$'000
Trade and bills receivables	–	–	1,199	1,199
Other current financial assets at amortised cost				
– Normal*	5,722	–	–	5,722
– Doubtful*	–	3,062	–	3,062
Cash and cash equivalents				
– Not yet past due	14,504	–	–	14,504
	20,226	3,062	1,199	24,487

* The credit quality of the other current financial assets at amortised cost is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The Group is expanding its customer bases to minimise concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in Note 14 to the consolidated financial statements.

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

Liquidity risk

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

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

	On demand US$'000	Less than 1 year US$'000	1 to 5 years US$'000	Total US$'000
2022				
Trade and bills payables	**25,235**	**–**	**–**	**25,235**
Other current financial liabilities	**–**	**1,762**	**–**	**1,762**
Lease liabilities	**–**	**214**	**178**	**392**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**–**	**4,246**	**–**	**4,246**
	25,235	**6,222**	**178**	**31,635**
2021				
Trade and bills payables	1,474	–	–	1,474
Other current financial liabilities	–	281	–	281
Lease liabilities	–	193	161	354
Interest-bearing bank and other borrowings (excluding lease liabilities)	–	5,147	–	5,147
	1,474	5,621	161	7,256

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

Commodity price risk

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 business negotiation and the use of 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 prices that were mostly adopted by the Group during the year ended 31 December 2022 were the Platts 62% Fe CFR North China index (the "Platts IODEX Price") for medium-grade fines and the Platts 65% Fe CFR North China index (the "65 IO Price") for high-grade fines.

During the reporting period, the Group recognised net gains of US$3,947,000 (2021: net gains of US$331,000) and net losses of US$5,791,000 (2021: net gains of US$1,123,000) from the hedging transactions in the Group's revenue and cost of sales, respectively.

According to the Group's provisionally priced iron ore sales and purchase contracts, the final price of certain contracts is fixed with reference to the applicable Platts Index or relevant market indices for specified future dates or periods. The future movements in the iron ore price under provisionally priced sales and purchase of iron ore products that were not yet finalised at the end of the reporting period and such accounting impact (excluding the financial impact of the hedging instruments) for 31 December 2022 are set out below:

	2022 **US$'000**
On revenue	
– 10% increase in iron ore prices	**1,897**
– 10% decrease in iron ore prices	**(1,897)**
On cost of sales	
– 10% increase in iron ore prices	**(5,415)**
– 10% decrease in iron ore prices	**5,415**

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

Commodity price risk *(Continued)*

The sensitivity analysis has illustrated the impact of a 10% increase or decrease in reference index prices on the monetary values of revenue and cost of sales that were subject to provisional pricing at each reporting date, while holding all other variables, including foreign exchange rates, constant. The above sensitivity analysis should therefore be considered as for illustration purpose only.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors. No changes were made in the objectives, policies or processes for managing financial risk during the years ended 31 December 2022 and 2021.

29. Statement of Financial Position of the Company

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

	2022 **US$'000**	2021 US$'000
Non-current assets		
Property, plant and equipment	**45**	67
Current assets		
Due from subsidiaries	**24,007**	26,129
Other current financial assets	**6**	–
Prepayments and other receivables	**86**	87
Cash and cash equivalents	**2,598**	1,163
Total current assets	**26,697**	27,379
Current liabilities		
Other current financial liabilities	**164**	95
Other payables and accruals	**79**	148
Total current liabilities	**243**	243
Net current assets	**26,454**	27,136
Total assets less current liabilities	**26,499**	27,203
Net assets	**26,499**	27,203
Equity		
Share capital	**46,890**	46,890
Reserves (Note)	**(20,391)**	(19,687)
Total equity	**26,499**	27,203

Chong Tin Lung, Benny
Director

Luk Yue Kan
Director

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

Note:

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

	Share premium account US$'000	Capital reserve US$'000	Accumulated losses US$'000	Total US$'000
At 1 January 2021	101,684	10,900	(129,941)	(17,357)
Loss for the year	–	–	(2,330)	(2,330)
Total comprehensive income for the year	–	–	(2,330)	(2,330)
At 31 December 2021 and 1 January 2022	**101,684**	**10,900**	**(132,271)**	**(19,687)**
Loss for the year	**–**	**–**	**(704)**	**(704)**
Total comprehensive income for the year	**–**	**–**	**(704)**	**(704)**
At 31 December 2022	**101,684**	**10,900**	**(132,975)**	**(20,391)**

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

The capital reserve of the Company represented (i) capital injections that were treated as contributions from the equity holders of the Company as part of the group reorganisation for listing; and (ii) the unpaid amount that was waived by the then immediate holding company upon listing.

30. Approval of the Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

Five-Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below:

Results

	For the year ended 31 December				
	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000 (Restated)*	2018 US$'000 (Restated)*
Revenue (Note)	**201,487**	292,873	467,495	275,167	46,837
(Loss)/profit before tax from continuing operations	**(2,224)**	(1,737)	1,057	(3,082)	(2,212)
Income tax credit/(expenses)	**2**	(44)	(213)	(30)	(8)
(Loss)/profit for the year from continuing operations	**(2,222)**	(1,781)	844	(3,112)	(2,220)
Loss for the year from discontinued operations	**–**	–	–	(6,964)	(14,010)
(Loss)/profit for the year	**(2,222)**	(1,781)	844	(10,076)	(16,230)

Note: Revenue for the respective years ended 31 December 2018, 2019 and 2020 represent that of continuing operations.

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2022 US$'000	2021 US$'000	2020 US$'000	2019 US$'000 (Restated)*	2018 US$'000 (Restated)*
Non-current assets	**14,145**	15,999	16,811	18,644	30,108
Current assets	**46,726**	21,752	118,870	141,055	58,902
Current liabilities	**(32,717)**	(7,363)	(103,531)	(119,296)	(48,152)
Non-current liabilities	**(176)**	(158)	(101)	(10,269)	(73)
Net assets	**27,978**	30,230	32,049	30,134	40,785
Equity attributable to owners of the Company	**27,073**	29,236	31,066	30,830	41,422
Non-controlling interests	**905**	994	983	(696)	(637)
Total equity	**27,978**	30,230	32,049	30,134	40,785

* Due to the change in presentation currency during the year ended 31 December 2020, the comparative figures as shown in the five-year financial summary have been restated and presented in US$ as if US$ had been the Group's presentation currency in the prior periods.

Glossary of Terms

In this annual 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
"AGM"	an annual general meeting of the Company
"Articles"	the articles of association of the Company, as amended from time to time
"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
"Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
"Director(s)"	the director(s) of the Company
"FY 2021" or "Corresponding Prior Period"	the financial year ended 31 December 2021
"FY 2022" or "Reporting Period"	the financial year ended 31 December 2022
"Group"	the Company and its subsidiaries collectively

Glossary of Terms

"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
"Investment Committee"	the investment committee of the Company
"Interim Report 2022"	the interim report of the Company for the six-month period ended 30 June 2022
"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
"Nomination Committee"	the nomination committee of the Company
"Remuneration Committee"	the remuneration committee of the Company

Glossary of Terms

"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
"SFC"	the Securities and Futures Commission of Hong Kong
"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

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Grand Cayman, KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong

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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:

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