新礦資源有限公司
NEWTON RESOURCES LTD

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023 AND PROPOSED AMENDMENTS TO THE ARTICLES

The Board wishes to announce the consolidated annual results of the Group for FY 2023 together with the comparative figures for FY 2022 as follows:–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** **US$'000**	2022 US$'000
Revenue	*3*	**526,119**	201,487
Cost of sales		**(516,173)**	(198,686)
Gross profit		**9,946**	2,801
Other income and gains, net		**458**	126
Selling and distribution costs		**(3,919)**	(2,056)
Administrative expenses		**(2,867)**	(2,346)
Finance expenses, net		**(989)**	(742)
Share of loss of an associate		**(10)**	(7)
Profit/(loss) before tax	*4*	**2,619**	(2,224)
Income tax (expenses)/credit	*5*	**(251)**	2
Profit/(loss) for the year		**2,368**	(2,222)

	Notes	2023 US$'000	2022 US$'000
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(7)**	(30)
Other comprehensive income for the year, net of tax		**(7)**	(30)
Total comprehensive income for the year		**2,361**	(2,252)
Profit/(loss) attributable to:			
Owners of the Company		**2,373**	(2,136)
Non-controlling interests		**(5)**	(86)
		2,368	(2,222)
Total comprehensive income attributable to:			
Owners of the Company		**2,366**	(2,163)
Non-controlling interests		**(5)**	(89)
		2,361	(2,252)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*7*		
Basic and diluted *(US cents)*		**0.06**	(0.05)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023** ***US$'000***	2022 *US$'000*
Non-current assets			
Property, plant and equipment		**81**	175
Right-of-use assets		**156**	340
Other long-term asset		**9,457**	13,422
Investment in an associate		**192**	208
Total non-current assets		**9,886**	14,145
Current assets			
Trade and bills receivables	*8*	**61,611**	23,156
Other current financial assets		**15,089**	7,454
Prepayments and other receivables		**163**	140
Income tax recoverables		**–**	61
Restricted bank deposits		**10,655**	4,399
Cash and cash equivalents		**11,769**	11,516
Total current assets		**99,287**	46,726
Current liabilities			
Trade and bills payables	*9*	**59,107**	25,235
Other current financial liabilities		**1,830**	1,762
Contract liabilities		**960**	688
Other payables and accruals		**2,056**	597
Interest-bearing bank and other borrowings		**14,659**	4,430
Income tax payables		**222**	5
Total current liabilities		**78,834**	32,717
Net current assets		**20,453**	14,009
Total assets less current liabilities		**30,339**	28,154
Non-current liabilities			
Interest-bearing bank and other borrowings		**–**	176
Total non-current liabilities		**–**	176
Net assets		**30,339**	27,978
Equity			
Equity attributable to owners of the Company			
Share capital		**46,890**	46,890
Reserves		**(17,451)**	(19,817)
		29,439	27,073
Non-controlling interests		**900**	905
Total equity		**30,339**	27,978

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The adoption of the above new and revised IFRSs has had no material impact on the Group's financial performance and financial position for the Reporting Period.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective. The Group intends to apply these revised IFRSs, if applicable, when they become 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*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

[1] *Effective for annual periods beginning on or after 1 January 2024*
[2] *Effective for annual periods beginning on or after 1 January 2025*
[3] *No mandatory effective date yet determined but available for adoption*

The Group is in the process of making an assessment of the impact of these revised 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.

3. REVENUE AND SEGMENT INFORMATION

The Resources Business was the only reportable business segment of the Group during the years ended 31 December 2023 and 2022.

An analysis of revenue is as follows:

	2023	2022
	US$'000	*US$'000*
Revenue from contracts with customers	**529,386**	206,107
Revenue from other sources:		
Quotation period price adjustments *(Note)*		
– relating to prior year shipments	**888**	–
– relating to current year shipments	**12,467**	(8,567)
Net (losses)/gains on iron ore futures or swap contracts	**(16,622)**	3,947
	526,119	201,487

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 pricing quotation periods (the "QPs") that differ from the periods that the inventories are delivered and finalising the iron ore selling prices based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices of future QPs. As a result, certain of the Group's iron ore products are provisionally priced at the date when revenue is recognised. In this regard, such revenue from contracts with customers is measured at the estimated forward commodity prices of 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 2023 and 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.

(a) Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	US$'000	*US$'000*
Types of goods/services		
Sale of iron ores	**487,721**	180,777
Shipping services	**41,665**	25,330
Total revenue from contracts with customers	**529,386**	206,107
Geographical markets *(Note)*		
Chinese Mainland	**529,386**	197,806
Others	**–**	8,301
Total revenue from contracts with customers	**529,386**	206,107
Timing of revenue recognition		
Goods transferred at a point in time	**487,721**	180,777
Services transferred over time	**41,665**	25,330
Total revenue from contracts with customers	**529,386**	206,107

Note: Revenue from contracts with external customers by geographical location is based on the ports of discharge of the Group's iron ores.

(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 Cost and Freight ("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.

(b) Geographical Segment Information

(i) Revenue from external customers

	2023	2022
	US$'000	*US$'000*
Chinese Mainland	**526,119**	194,170
Others	**–**	7,317
Total revenue from external customers	**526,119**	201,487

Revenue from external customers by geographical location is determined based on the ports of discharge of the Group's iron ores.

(ii) The Group's non-current assets mainly represented the long-term asset relating to the Restated Long Term Hematite Ore Supply Agreement 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:

	2023	2022
	US$'000	*US$'000*
Customer A	**358,879**	83,915
Customer B	**N/A**[1]	44,809
Customer C	**N/A**[1]	27,215

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

4. PROFIT/(LOSS) BEFORE TAX

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

	2023	2022
	US$'000	*US$'000*
Cost of inventories sold	**500,519**	165,807
Shipping costs	**41,216**	25,330
Net (gains)/losses on iron ore futures or swap contracts included in cost of sales	**(29,527)**	5,791
Amortisation of other long-term asset included in cost of sales	**3,965**	1,758
Depreciation of items of property, plant and equipment	**95**	99
Depreciation of right-of-use assets	**184**	187

5. INCOME TAX EXPENSES/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

The provision for the People's Republic of China ("PRC") corporate income tax ("CIT") is based on the CIT rate applicable to the entities located in or deemed to be operating in Chinese Mainland as determined in accordance with the relevant income tax rules and regulations of the PRC for the years ended 31 December 2023 and 2022.

	2023	2022
	US$'000	*US$'000*
Current – Hong Kong		
Charge for the year	**252**	–
Overprovision in prior years	**(1)**	(2)
Total tax charge/(credit) for the year	**251**	(2)

6. DIVIDEND

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2023 (2022: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year 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 2023 and 2022.

The calculation of basic earnings/(loss) per share is based on:

	2023	2022
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation *(US$'000)*	**2,373**	(2,136)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation *(thousands of shares)*	**4,000,000**	4,000,000

Diluted earnings/(loss) per share amounts were the same as the basic earnings/(loss) per share amounts as the Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

8. TRADE AND BILLS RECEIVABLES

	2023 *US$'000*	2022 *US$'000*
Trade receivables	**27,525**	4,336
Bills receivables	**34,086**	18,820
Total	**61,611**	23,156

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 2023, the Group has transferred certain of its bills receivables amounting to US$10,259,000 (2022: Nil) to a bank with recourse in exchange for cash. The Group continued to be exposed to default risk but does not retain any rights on the use of the bills receivables, including the sales, transfer or pledge of the bills receivables to any third parties. The proceeds from transferring the bills receivables were accounted for as collateralised bank advances and the full amount of US$10,259,000 has been included in interest-bearing bank and other borrowings as at 31 December 2023 (2022: Nil).

As at 31 December 2023 and 2022, the Group's trade and bills receivables were non-interest-bearing.

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

	2023	2022
	US$'000	*US$'000*
Within 3 months	**61,611**	23,156

9. TRADE AND BILLS PAYABLES

Certain of the Group's purchases are settled by letters of credit up to a tenor of 120 days. As at 31 December 2023, the Group's bills payables amounted to US$31,558,000 (2022: US$20,207,000). An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	US$'000	*US$'000*
Within 3 months	**59,107**	25,235

The Group's trade and bills payables were non-interest-bearing as at 31 December 2023 and 2022.

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of the Company for the Reporting Period.

2023 was a difficult year as denoted by the tough business environment, slowing economic growth and other factors. Despite the market challenges and divergent moves in iron ore market prices, the Group achieved a remarkable improvement in the operating and financial results in FY 2023.

The Group's revenue for the Reporting Period amounted to approximately US$526.1 million (2022: approximately US$201.5 million), representing a year-on-year increase of about 1.6 times. With the staunch support of our major suppliers and customers, the Group purchased and sold about 4.3 Mt of iron ores (2022: about 1.7 Mt), comprising about 3.3 Mt of Hematite Ores sourced from Koolan during the Reporting Period (2022: about 1.5 Mt). In addition, the seaborne iron ore market prices had defied expectations in 2023 and the hedging tools were executed to capture the market profit potential during the Reporting Period. Coupled with the increased business volume for the sales of iron ores, the Group achieved a remarkable year-on-year improvement in gross profit for the Reporting Period, which increased by approximately US$7.1 million. As a result, the Group recorded a net profit for the year of approximately US$2.4 million during the Reporting Period (2022: net loss of approximately US$2.2 million).

Going forward, the Group 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.

Finally, I would like to express my heartfelt gratitude to my fellow Board members, our management, the business development team and all the staff members for their contributions 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	2023	2022
	US$'000	*US$'000*
Revenue	**526,119**	201,487
Gross profit	**9,946**	2,801
Profit/(loss) for the year	**2,368**	(2,222)
Basic earnings/(loss) per share *(US cents)*	**0.06**	(0.05)
Total assets	**109,173**	60,871
Total equity	**30,339**	27,978
Net cash position[1]	**N/A**	6,910
Net debt[2]	**2,890**	N/A

	2023	2022
Liquidity ratio[3]	**1.3**	1.4
Net gearing ratio[4]	**10%**	N/A

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

[2] *Net debt is defined as interest-bearing bank and other borrowings less cash and cash equivalents*

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

[4] *Net gearing ratio is computed as the net debt divided by total equity*

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

BUSINESS REVIEW

2023 was a difficult year as denoted by the tough business environment, slowing economic growth and other factors. During the Reporting Period, the Group continued to focus on the development of the Resources Business with the supply of high-grade Hematite Ores and other iron ore products. The Group had a business development team (the "Business Development Team") responsible for liaising 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.

Despite the market challenges and divergent moves in iron ore market prices, the Group achieved a remarkable improvement in the operating and financial results in FY 2023. The Group's revenue for the Reporting Period amounted to approximately US$526.1 million (2022: approximately US$201.5 million), representing a year-on-year increase of about 1.6 times. With the staunch support of our major suppliers and customers, the Group purchased and sold about 4.3 Mt of iron ores (2022: about 1.7 Mt), comprising about 3.3 Mt of Hematite Ores sourced from Koolan and about 1.0 Mt of iron ores sourced from other mines during the Reporting Period (2022: about 1.5 Mt and 0.2 Mt respectively).

In addition, the Group recorded a net profit for the year of approximately US$2.4 million during the Reporting Period (2022: net loss of approximately US$2.2 million). The significant improvement in the financial results of the Group in FY 2023 was, on the one hand, mainly attributable to the year-on-year increase in the Group's business volume for the sales of iron ores for the Reporting Period leading to the increase in the Group's revenue by approximately US$324.6 million. On the other hand, the Group managed to overcome the unanticipated upsurge of iron ore market indices in late 2022 which resulted in a significant drop in the Group's gross profit and the recognition of a net loss for the Corresponding Prior Period. During the Reporting Period, the Group captured the market profit potential through the successful execution of the approved hedging strategy and hedging instruments resulting in the overall increase in the Group's gross profit by approximately US$7.1 million.

During the Reporting Period, the iron grade of the Group's Hematite Ores reached an average of about 65% Fe (2022: an average of about 64% Fe). With the supply of high-grade Hematite Ores from Koolan, the Group's iron ores were mainly priced with reference to the Platts 65% Fe CFR North China index (the "65 IO Price") with price adjustments based on the quality and impurity level and cargo specifications. To accommodate the needs and requests of the Group's customers and suppliers, the Group's iron ores were priced referencing the market indices under different price quotation periods.

Throughout the Reporting Period, the seaborne iron ore market prices continued to be fast-moving and highly volatile and hedging tools and derivatives were executed 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.

In early 2023, the 65 IO Price had climbed up with the average reaching approximately US$142 per tonne in March 2023, as compared to the average of approximately US$124 per tonne in December 2022. Since April 2023, the average 65 IO Price has fallen and trended towards a range of approximately US118 per tonne to approximately US$131 per tonne in the second and third quarters of 2023. In the last quarter of 2023, the average 65 IO Price rebounded and hit an 18-month high of approximately US$147 per tonne in December 2023. The average 65 IO Price was approximately US$132 per tonne for the Reporting Period.

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. 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. 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 made net losses of approximately US$16.6 million (2022: net gains of approximately US$3.9 million) and net gains of approximately US$29.5 million (2022: net losses of approximately US$5.8 million) from the hedging transactions which were recognised as part of the Group's revenue and cost of sales, respectively.

As at 31 December 2023, to match the increased business volume, the Group had an aggregate open position of iron ore futures or swap contracts of 1,245,000 tonnes expiring by the end of March 2024 (2022: 60,000 tonnes expiring by the end of January 2023) with a positive carrying value of approximately US$7.7 million (2022: approximately US$2.1 million) which has been recognised as financial assets at fair value through profit or loss and included in the Group's other current financial assets.

As a distributor, 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$41.7 million (2022: approximately US$25.3 million), which accounted for about 8% of the Group's revenue (2022: about 13%). The year-on-year increase in the Group's service income by about 65% reflected the combined effect of the increase in the number of shipments from Koolan to Chinese Mainland and the lower average sea freight charges applied during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group recognised revenue from the sales of iron ores under provisional pricing arrangements on a gross basis, service income from the shipping of 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 was subject to provisional pricing adjustments until they were finalised. The provisional prices were usually finalised within three months from the month of shipment.

During the Reporting Period, the Group recognised revenue of approximately US$526.1 million (2022: approximately US$201.5 million), representing a significant increase of about 1.6 times. The Group sold about 4.3 Mt of iron ores during the Reporting Period (2022: about 1.7 Mt), comprising about 3.3 Mt of Hematite Ores sourced from Koolan (2022: about 1.5 Mt) and about 1.0 Mt of iron ores sourced from other suppliers (2022: about 0.2 Mt).

Koolan was one of the major suppliers of the Group's iron ores during the Reporting Period and the iron grade of Hematite Ores sold during the Reporting Period reached an average of about 65% Fe (2022: about 64% Fe).

Gross Profit and Results for the Reporting Period

During the Reporting Period, the Group has been matching the iron ore products with customers' demands successfully for swift sales through business negotiation. In addition, in FY 2023, the Group managed to overcome the unanticipated upsurge of iron ore market indices in late 2022 which resulted in a significant drop in the Group's gross profit in FY 2022. Through executing the approved hedging strategy and hedging instruments in FY 2023, together with an increase in the Group's business volume for the sales of iron ores for the Reporting Period, the Group had been able to capture the market profit potential in the first half of the Reporting Period and achieved an overall increase in gross profit to approximately US$9.9 million for the Reporting Period, as compared to approximately US$2.8 million for the Corresponding Prior Period.

In the second half of Reporting Period, the relentless weak demand for high-grade iron ores in Chinese Mainland led to the yield of thinner margins for the sales of Hematite Ores. As a result, the Group's gross profit ratio dropped from about 2.9% for the first half of 2023 to about 1.2% for the second half of 2023. The Group's overall gross profit ratio was about 1.9% for the Reporting Period (2022: about 1.4%).

The Group's net profit for the Reporting Period was approximately US$2.4 million (2022: net loss of approximately US$2.2 million). The significant improvement in the financial results of the Group in FY 2023 was mainly attributable to the aforesaid year-on-year increase in the Group's revenue and gross profit and the net gain recognised from the iron ore futures and/or swap contracts through the execution of designated hedging strategy by the Business Development Team during the Reporting Period.

Changes in the Financial Position

The Group had a healthy financial position as at 31 December 2023 with the Group's total assets increased to approximately US$109.2 million (2022: approximately US$60.9 million), which mainly represented the other long-term asset relating to the Restated Long Term Hematite Ore Supply Agreement of approximately US$9.5 million, the trade and bills receivables of approximately US$61.6 million, other current financial assets of approximately US$15.1 million, restricted bank deposits of approximately US$10.7 million and cash and cash equivalents of approximately US$11.8 million.

Attributed to the increase in iron ore shipments before 31 December 2023, the Group's trade and bills receivables and restricted bank deposits to secure the issuance of letters of credit increased by approximately US$38.4 million and approximately US$6.3 million respectively as at 31 December 2023.

In addition, to match with the increase in the Group's business volume, the Group had entered into more iron ore futures or swap contracts. As at 31 December 2023, the Group had an aggregate open position of iron ore futures or swap contracts with a positive contract value of approximately US$7.7 million (2022: approximately US$2.1 million) which had been recognised as other current financial assets of the Group. Also, the deposit for hedging instruments held by a securities firm, which was included in the other current financial assets of the Group, increased by approximately US$2.3 million to approximately US$6.2 million as at 31 December 2023 (2022: approximately US$3.9 million).

The Group had total liabilities of approximately US$78.8 million as at 31 December 2023 (2022: approximately US$32.9 million), which mainly represented the trade and bills payables of approximately US$59.1 million, other current financial liabilities of approximately US$1.8 million and the interest-bearing bank and other borrowings of approximately US$14.7 million. Similar to the trade and bills receivables, the Group recognised an increase in the trade and bills payables by approximately US$33.9 million to approximately US$59.1 million as at 31 December 2023. In addition, to support the increase in the Group's business volume, the Group utilised more trade finance banking facilities as at 31 December 2023. The Group's bank borrowings as secured by its bills receivables increased to approximately US$10.3 million as at 31 December 2023 (2022: Nil).

Attributed to the net profit of the Group for the Reporting Period, the Group's total equity increased by approximately US$2.3 million to approximately US$30.3 million as at 31 December 2023 (2022: approximately US$28.0 million).

DIVIDEND

The Board does not recommend the payment of a final dividend in respect of FY 2023 (2022: Nil).

SEGMENT INFORMATION

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

	2023	2022
	US$'million	*US$'million*
Chinese Mainland	**526.1**	194.2
Others	**–**	7.3
Total revenue from external customers	**526.1**	201.5

Revenue from external customers by geographical location is determined based on the ports of discharge of the Group's iron ores.

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

FINANCIAL RESOURCES, CAPITAL STRUCTURE AND LIQUIDITY

The Group has a 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 the continuity of funds and flexibility through the effective use of its internal financial resources, bank and other borrowings and trade finance banking facilities.

As at 31 December 2023, the Group's total equity amounted to approximately US$30.3 million (2022: approximately US$28.0 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 2023, the cash and cash equivalents of the Group amounted to approximately US$11.8 million (2022: approximately US$11.5 million), representing about 11% (2022: about 19%) of the total assets of the Group. These cash and cash equivalents were mainly denominated as to about 96% in USD as at 31 December 2023 (2022: about 81% in USD and about 15% in HKD). In addition, the Group had approximately US$10.7 million restricted bank deposits denominated in USD to secure the issuance of letters of credit by banks to the suppliers as at 31 December 2023 (2022: approximately US$4.4 million).

The Group had interest-bearing bank and other borrowings of approximately US$14.7 million as at 31 December 2023 (2022: approximately US$4.6 million) and all of which will mature within one year or on demand (2022: about 96%). The Group's interest-bearing bank and other borrowings were denominated as to about 70% in USD and about 30% in HKD (2022: 100% denominated in HKD). Apart from the bank borrowings secured by bills receivables, the Group's interest-bearing bank and other borrowings were unsecured and bore a fixed interest rate as at 31 December 2023.

The Group's net debt position was approximately US$2.9 million as at 31 December 2023 (2022: net cash position of approximately US$6.9 million). To cope with the increase in the Group's business volume, there was an increase in the bank borrowings secured by bills receivables of approximately US$10.3 million as at 31 December 2023 (2022: Nil). As a result, the Group's net gearing ratio was about 10% as at 31 December 2023 (2022: Nil). The Group's liquidity ratio was about 1.3 as at 31 December 2023 (2022: about 1.4). The Group's liquidity remained stable and healthy as at 31 December 2023.

The Group had in aggregate unutilised committed borrowing facilities and trade finance banking facilities of approximately US$287.0 million for the Resources Business as at 31 December 2023 (2022: approximately US$405.0 million). The Group will continue to negotiate for new trade finance facilities with banks to support the continual development of the Group's business.

PLEDGE OF ASSETS

As at 31 December 2023 and 2022, no property, plant and equipment or right-of-use assets were pledged for the Group's bank borrowing or banking facilities. The Group's utilised banking facilities as at 31 December 2023 were secured by restricted bank deposits in an aggregate amount of approximately US$10.7 million (2022: approximately US$4.4 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's business activities were principally carried out in Hong Kong and most of the transactions were 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 was considered to have insignificant 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 continued to manage the operational 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 reference index prices. The reference index prices that were mostly adopted by the Group during the Reporting Period were the 65 IO Price.

During the Reporting Period, the Group made net losses of approximately US$16.6 million (2022: net gains of approximately US$3.9 million) and net gains of approximately US$29.5 million (2022: net losses of approximately US$5.8 million) from the hedging transactions which were recognised as part of the Group's revenue and cost of sales, respectively.

As at 31 December 2023, to match the increased business volume, the Group had an aggregate open position of iron ore futures or swap contracts of 1,245,000 tonnes expiring by the end of March 2024 (2022: 60,000 tonnes expiring by the end of January 2023) with a positive carrying value of approximately US$7.7 million (2022: approximately US$2.1 million) which had been recognised as financial assets at fair value through profit or loss and included in the Group's other current financial assets.

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 announcement. 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 2023, the Group had a total of 23 (2022: 23) employees in Hong Kong and Chinese Mainland. During FY 2023, the Group's staff costs (inclusive of Directors' emoluments) were approximately US$4.6 million (2022: approximately US$2.8 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 own remuneration.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

EVENT AFTER THE REPORTING PERIOD

From 31 December 2023 to the date of this announcement, there was no important event affecting the Group.

OUTLOOK AND FUTURE PLANS

The seaborne iron ore market prices had already defied expectations in 2023 and the iron ores were trading at their year-to-date market highs in the fourth quarter of 2023, fueled by a series of macroeconomic measures and stimulus. The PRC government issued an additional Renminbi ("RMB") 1 trillion of national debt in the fourth quarter of 2023 to support the rebuilding of disaster-hit areas in Northeast China, for post-disaster recovery and reconstruction and to make up for shortcomings in disaster prevention, reduction, and relief.

The China's central bank has also eased the monetary policy. China recently plans to provide at least RMB1 trillion of low-cost financing to China's urban village redevelopment and affordable housing programmes to shore up its property market. In addition, China's central bank made RMB350 billion and RMB150 billion in loans to policy banks through its pledged supplementary lending ("PSL") facility in December 2023 and January 2024 respectively. This PSL offers funding support for various government-backed projects such as the renovation of residential communities in urban regions and stimulates more private investments. These measures were considered to fuel expectations of increased support for the property market and potentially provide additional stimulus to the steel and iron ore market in China going forward. With China ramping up its investment in the infrastructure and manufacturing sectors, demand for steel in these sectors shall be boosted in 2024, supporting the iron ore demand and market prices looking forward.

2024 will continue to be a year full of challenges for the Group. As abovementioned, the iron ore indices had rallied in the fourth quarter of 2023 and there were analysts' comments that the seaborne iron ore market prices could climb to another high in 2024 on the expectations of increased demand for import iron ores in China and relatively tight global supply of iron ores in the coming year.

However, the seaborne iron ore market prices have been under pressure since the beginning of 2024, attributed to the elevated port inventories and unexpectedly soft recovery in the production of steel, according to sources. China's domestic steel demand has turned out to be weaker than expected so far in the first quarter of 2024 and there is uncertainty over potential government intervention. Apart from that, the Group's iron ore supply from a major supplier may be affected by, among others, the wet season conditions, the continual review of the mining schedule and the transitioning in the production sequencing at the mine site for the coming year.

Looking forward, the Group shall continue to focus its efforts on optimising the Resources Business and managing the impact of seaborne iron ore price movements. 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 is facing, the Group will continue to cautiously explore and capture mergers and acquisitions and other collaboration or investment opportunities as appropriate.

CORPORATE GOVERNANCE PRACTICES

The Board strongly believes that corporate governance is an integral part of the Company 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 its growth and sustainability, the Company's strategies in the business development and management as well as strategic priorities against material risks relating to Environmental, Social and Governance ("ESG") are embedded into the corporate governance practices. During FY 2023, 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 its unwavering commitment to high standards of corporate governance, the Company has adopted 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 will continue enhancing its corporate governance practices which evolve with the conduct and growth of its business, and reviewing and improving such practices to ensure that business activities and decision making processes are regulated in a proper, prudent and transparent manner in accordance with international best practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 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 and all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout FY 2023.

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.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Audit Committee currently comprises 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 (www.hkexnews.hk). The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, risk management and internal control systems. The Audit Committee has, in conjunction with the management, reviewed the accounting principles and practices adopted by the Group and has no disagreement with such accounting treatments adopted by the Group, and discussed the risk management and internal control systems and financial reporting matters including a review of the annual results and the consolidated financial statements of the Group for FY 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024 (both days inclusive), during which no transfer of the Shares will be registered. In order to be eligible to attend and vote at the 2024 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, 31 May 2024.

ANNUAL GENERAL MEETING

The 2024 AGM of the Company is scheduled to be held on Thursday, 6 June 2024. A notice convening the 2024 AGM will be issued to the Shareholders in due course.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year then ended, as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the FY 2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

PROPOSED AMENDMENTS TO THE ARTICLES

Pursuant to the Consultation Conclusions on Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023, the relevant Listing Rules have been amended with effect from 31 December 2023 which requires, among others, listed issuers to disseminate their corporate communications to shareholders electronically. The Board proposes to take this opportunity to update the Articles with regards to the relevant updates in the Listing Rules and the applicable laws as well as for housekeeping purposes. The Board is of the view that the proposed amendments to the Articles are in the interests of the Company and the Shareholders as a whole.

The Board proposes to seek the approval of Shareholders by way of a special resolution at the 2024 AGM (the "Special Resolution") for the amendments and the adoption of a new set of Memorandum and Articles. Prior to the passing of the Special Resolution, the existing Memorandum and Articles shall remain valid.

After the proposed amendments to the Articles come into effect, the full text of the new set of Memorandum and Articles will be published on the websites of the Company and the Stock Exchange (www.hkexnews.hk).

A circular containing, inter alia, full details of the proposed amendments to the Articles will be issued in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of the Company and the Stock Exchange (www.hkexnews.hk). The annual report 2023 will be issued and published on the above websites in due course.

GLOSSARY OF TERMS

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

"Ace Profit"	Ace Profit Investment Limited, 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 C1 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
"Director(s)"	the director(s) of the Company
"FY 2022" or "Corresponding Prior Period"	the financial year ended 31 December 2022
"FY 2023" or "Reporting Period"	the financial year ended 31 December 2023
"Group"	the Company and its subsidiaries collectively
"Hematite Mine"	the hematite mine situated at Koolan Island, Western Australia
"Hematite Ore(s)"	the iron ore(s) of high-grade for direct shipping ore sales
"HK$" or "HKD"	Hong Kong dollar, the lawful currency of Hong Kong

"Koolan"	Koolan Iron Ore Pty Limited, a company incorporated in Australia, the registered holder of the Hematite Mine and an indirect wholly-owned subsidiary of MGI
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Memorandum and Articles"	the memorandum and articles of association of the Company, as amended from time to time
"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 C3 to the Listing Rules
"Mt"	million tonnes
"Remuneration Committee"	the remuneration committee of the Company
"Restated Long Term Hematite Ore Supply Agreement"	the amended and restated Koolan Island long term hematite ore sale agreement entered into by MGI, Koolan, the Company and Ace Profit under a deed of novation, amendment and restatement dated 31 May 2019 among all original parties to the Koolan Island long term ore sale agreement and the Group. Pursuant to the Restated Long Term Hematite Ore Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase Hematite Ores to be derived from the Hematite Mine in such annual quantity as equals 80% of Koolan's total available production during each contract year at the agreed market pricing formulae for the period from the effective time of the aforesaid deed of novation, amendment and restatement to the date of permanent cessation of Koolan's mining operations at the Hematite Mine
"Share(s)"	existing ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"tonne(s)"	equal to 1,000 kilograms
"US$" or "USD"	the United States dollar, the lawful currency of the United States of America

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

Hong Kong, 21 March 2024

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