

Interim Report

2023



**新礦資源有限公司**

**NEWTON RESOURCES LTD**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1231

# Contents

2	<b>Chairman's Statement</b>
3	<b>Management Discussion and Analysis</b>
13	<b>Independent Review Report</b>
	<b>Condensed Consolidated Financial Information</b>
14	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
16	Condensed Consolidated Statement of Financial Position
18	Condensed Consolidated Statement of Changes in Equity
20	Condensed Consolidated Statement of Cash Flows
22	Notes to the Condensed Consolidated Financial Information
37	<b>Other Information</b>
41	<b>Glossary of Terms</b>
43	<b>Corporate Information</b>

# Chairman's Statement

Dear Shareholders,

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

For the Reporting Period, the Group recognised revenue of approximately US\$215.5 million (mainly from the distribution of Hematite Ores supplied by Koolan, our major supplier) (approximately US\$108.7 million for the Corresponding Prior Period) 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.

With the stable supply of quality iron ores from Koolan, the sales volume of the Group's iron ores sold during the Reporting Period increased by about 125% as compared to the Corresponding Prior Period. The seaborne iron ore market prices continued to be fast-moving and highly volatile throughout the Reporting Period. The execution of the designated hedging strategy allowed the Group to capture the market profit potential and achieved an improvement in the Group's gross profit and overall financial results for the Reporting Period. The Group recorded a net profit for the Reporting Period of approximately US\$2.9 million (approximately US\$0.2 million for the Corresponding Prior Period).

Looking ahead, we 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.

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

**Chong Tin Lung, Benny**

*Chairman*

Hong Kong, 24 August 2023

# Management Discussion and Analysis

## Financial Highlights

	Six-month period ended 30 June	
	2023 US\$'000	2022 US\$'000
Revenue	215,471	108,650
Gross profit	6,326	3,414
Profit for the period	2,856	186
Basic earnings per share ( <i>US cents</i> )	0.07	0.01
	30 June 2023 US\$'000	31 December 2022 US\$'000
Total assets	69,882	60,871
Total equity	30,825	27,978
Net cash position <sup>1</sup>	5,813	6,910
	30 June 2023	31 December 2022
Liquidity ratio <sup>2</sup>	1.5	1.4

<sup>1</sup> Net cash position is defined as cash and cash equivalents less interest-bearing bank and other borrowings

<sup>2</sup> 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 the Reporting Period amounted to approximately US\$215.5 million (approximately US\$108.7 million for the Corresponding Prior Period), representing an increase of about 98% period-over-period. The Group purchased and sold about 1.8 Mt of iron ores (about 0.8 Mt for the Corresponding Prior Period), comprising about 1.4 Mt of Hematite Ores sourced from Koolan and about 0.4 Mt of iron ores sourced from other mines during the Reporting Period (about 0.6 Mt and 0.2 Mt respectively for the Corresponding Prior Period).

The Group recorded a net profit for the period of approximately US\$2.9 million during the Reporting Period (approximately US\$0.2 million for the Corresponding Prior Period). The improvement in the financial results of the Group was mainly attributable to the period-over-period increase in the Group’s revenue and gross profit by approximately US\$106.8 million and US\$2.9 million respectively.

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 based on the quality and impurities level of the iron ores 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.

During the Reporting Period, the iron grade of the Group’s Hematite Ores improved to an average of about 65% Fe (an average of about 63% Fe in the Corresponding Prior Period).

Attributed to the improving iron grade of the Group’s Hematite Ores during the Reporting Period, the Group priced its Hematite Ores with reference to the 65 IO Price. Throughout the Reporting Period, the seaborne iron ore market prices continued to be fast-moving and highly volatile. China remained the world’s largest consumer of iron ores and has been the main driver of the Group’s iron ore demand. Amid the strengthened market sentiment as China started to replenish its in-plant iron ore inventories following the end of the lockdowns in early 2023, the 65 IO Price had climbed up with the average reaching approximately US\$142 per tonne in March 2023, representing an increase of about 15% as compared to the average of approximately US\$124 per tonne in December 2022. Since April 2023, the 65 IO Price has fallen due to market concerns over the possibility of the Chinese government imposing restrictions on steel production at domestic smelters, weak domestic demand for steel during the peak construction season and a weakening global economic outlook for 2023. The 65 IO Price trended downwards to an average of approximately US\$124 per tonne in June 2023. The average 65 IO Price was approximately US\$132 per tonne for the Reporting Period.

# Management Discussion and Analysis

## Business and Operational Review *(Continued)*

In the Corresponding Prior Period, the Group mainly priced its medium-grade iron ores with reference to the Platts IODEX Price. The average Platts IODEX Price was approximately US\$140 per tonne in the Corresponding Prior Period.

Weak demand for high-grade iron ores in China with the seaborne iron ore market prices expected to remain sensitive, fast-moving and highly volatile for the rest of 2023 add difficulties and create challenges to the Resources Business, in particular, in trade negotiation, product pricing and execution of hedging strategy and hedging instruments. The Group shall continue to keep abreast of the business and market development and take necessary steps to secure the swift sales of iron ores.

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.

During the Reporting Period, the Group recognised net losses of approximately US\$4.9 million (net gains of approximately US\$1.8 million for the Corresponding Prior Period) and net gains of approximately US\$7.6 million (net losses of approximately US\$3.3 million for the Corresponding Prior Period) from the hedging transactions in the Group's revenue and cost of sales, respectively.

As at 30 June 2023, the Group had an aggregate open position of iron ore futures or swap contracts of 630,000 tonnes expiring by the end of September 2023 with a negative carrying value of approximately US\$0.8 million which had been recognised as financial liabilities at fair value through profit or loss and included in the Group's other current financial liabilities at that date.

In addition, 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\$16.2 million (approximately US\$11.3 million for the Corresponding Prior Period), reflecting the combined effect of the increase in number of shipments and the lower unit sea freight charges applied during the Reporting Period.

# Management Discussion and Analysis

## 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\$215.5 million (approximately US\$108.7 million for the Corresponding Prior Period), representing an increase of about 98% period-over-period. The Group sold about 1.8 Mt of iron ores during the Reporting Period (about 0.8 Mt for the Corresponding Prior Period), comprising about 1.4 Mt of Hematite Ores sourced from Koolan (about 0.6 Mt for the Corresponding Prior Period) and about 0.4 Mt of iron ores sourced from other suppliers (about 0.2 Mt for the Corresponding Prior Period).

The iron grade of Hematite Ores sold during the Reporting Period improved with an average of about 65% Fe (about 63% Fe for the Corresponding Prior Period). Attributed to the weak demand for iron ores by the Chinese steel mills, the Group has shifted the product mix and purchased mainly high-grade Hematite Ores from Koolan during the Reporting Period as compared to the Corresponding Prior Period. Coupled with the relatively lower seaborne iron ore market prices prevailing during the Reporting Period, the overall average unit selling price of the Group's iron ores decreased period-over-period by about 7%.

### 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.

Throughout the Reporting Period, the seaborne iron ore market prices continued to be fast-moving and highly volatile, affecting the Group's profit margin earned from the sales of iron ores that were sold under the provisional pricing arrangement during the Reporting Period and in the last quarter of 2022. In the first quarter of 2023, the seaborne iron ore market prices continued to rise. The Group then recognised an increase in the cost of sales for certain shipments that were sold and provisionally priced in the last quarter of 2022 which squeezed the Group's gross profit for the Reporting Period and led to a slight reduction in the Group's gross profit ratio period-over-period. The gradual smoothing out of the iron ore market upsurge in the second quarter of 2023 together with the execution of the designated hedging strategy by the Business Development Team allowed the Group to capture the market profit potential and recognised the net gain from the iron ore futures and/or swap contracts resulting in the improvement in the Group's gross profit period-over-period. Together with an increase in the Group's business volume in sales of iron ores, the Group has been able to achieve an increase in gross profit by approximately US\$2.9 million for the Reporting Period, as compared to that of the Corresponding Prior Period. The Group's gross profit ratio has slightly dropped to about 2.9% for the Reporting Period (about 3.1% for the Corresponding Prior Period).

# Management Discussion and Analysis

## Financial Review *(Continued)*

### Results for the Reporting Period

The Group's net profit for the Reporting Period was approximately US\$2.9 million (approximately US\$0.2 million for the Corresponding Prior Period). The increase in the Group's net profit for the Reporting Period was mainly due to the significant increase in the Group's revenue and gross profit attributable to the increase in the sales volume of the high-grade iron ores 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 30 June 2023 with the Group's total assets slightly increased to approximately US\$69.9 million (approximately US\$60.9 million as at 31 December 2022), which mainly represented the other long-term asset relating to the Restated Long Term Hematite Ore Supply Agreement of approximately US\$11.8 million, the trade and bills receivables of approximately US\$27.8 million, other current financial assets, prepayments and other receivables of approximately US\$16.3 million, restricted bank deposits of approximately US\$3.1 million and cash and cash equivalents of approximately US\$10.3 million.

To cope with the increase in the Group's business volume and better manage the exposure to fluctuations in the iron ore market prices, the Group had entered into more iron ore futures or swap contracts leading to an increase in the deposit held by a securities firm by approximately US\$6.8 million to approximately US\$10.7 million as at 30 June 2023, which were included in the other current financial assets of the Group. On the other hand, attributed to the shipments made before 30 June 2023, the Group's trade and bills receivables increased by approximately US\$4.6 million to approximately US\$27.8 million as at 30 June 2023.

The Group had total liabilities of approximately US\$39.1 million as at 30 June 2023 (approximately US\$32.9 million as at 31 December 2022), which mainly represented the trade and bills payables of approximately US\$26.0 million, other current financial liabilities of approximately US\$4.0 million and the aggregate interest-bearing bank and other borrowings of approximately US\$4.5 million. As at 30 June 2023, the Group had an aggregate open position of iron ore futures or swap contracts of 630,000 tonnes expiring by the end of September 2023 with a negative carrying value of approximately US\$0.8 million which has been recognised as other current financial liabilities.

Attributed to the net profit of the Group for the Reporting Period, the Group's total equity increased to approximately US\$30.8 million as at 30 June 2023 (approximately US\$28.0 million as at 31 December 2022).

### Interim Dividend

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



# Management Discussion and Analysis

## 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:

	Six-month period ended 30 June	
	2023 US\$'million	2022 US\$'million
Mainland China	215.5	101.3
Others	–	7.4
Total revenue from external customers	215.5	108.7

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 3 to the interim financial information, and the discussion of the business performance of the Resources Business is set out in the sections headed "Business and Operational Review" and "Financial Review" above.

## Financial Resources, Capital Structure and Liquidity

The Group has a funding and treasury policy to monitor its funding requirements and perform ongoing liquidity reviews. This approach takes into consideration the maturity of the Group's financial instruments, financial assets and liabilities, projected cash flows from operations and the general working capital requirements. The Group's objective is to maintain a balance between continuity of funding and flexibility through the effective use of its internal financial resources, bank and other borrowings and trade finance banking facilities.

As at 30 June 2023, the Group's total equity amounted to approximately US\$30.8 million (approximately US\$28.0 million as at 31 December 2022). 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 30 June 2023, the cash and cash equivalents of the Group amounted to approximately US\$10.3 million (approximately US\$11.5 million as at 31 December 2022), representing about 15% (about 19% as at 31 December 2022) of the total assets of the Group. These cash and cash equivalents were mainly denominated as to about 91% in USD and about 6% in HKD as at 30 June 2023 (about 81% in USD and about 15% in HKD as at 31 December 2022). In addition, the Group had approximately US\$3.1 million restricted bank deposits denominated in USD to secure the issuance of letters of credit to the suppliers as at 30 June 2023 (approximately US\$4.4 million as at 31 December 2022).

# Management Discussion and Analysis

## Financial Resources, Capital Structure and Liquidity *(Continued)*

The Group had interest-bearing bank and other borrowings of approximately US\$4.5 million as at 30 June 2023 (approximately US\$4.6 million as at 31 December 2022), about 98% (about 96% as at 31 December 2022) of these borrowings will mature within one year.

All of the Group's interest-bearing bank and other borrowings were denominated in HKD and carried a fixed interest rate as at 30 June 2023 and 31 December 2022. As such, the Group had no material exposure to interest rate fluctuations.

The Group had in aggregate unutilised committed borrowing facilities and trade finance banking facilities of approximately US\$271.4 million for the Resources Business as at 30 June 2023 (approximately US\$405.0 million as at 31 December 2022). 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\$5.8 million as at 30 June 2023 (approximately US\$6.9 million as at 31 December 2022). Therefore, the Group was not considered to have any net gearing as at 30 June 2023 and 31 December 2022 and the Group's liquidity ratio was about 1.5 as at 30 June 2023 (about 1.4 as at 31 December 2022). The Group's liquidity remains stable as at 30 June 2023.

## Pledge of Assets

As at 30 June 2023 and 31 December 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 30 June 2023 were secured by restricted bank deposits in an aggregate amount of approximately US\$3.1 million (approximately US\$4.4 million as at 31 December 2022).

## 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.

# Management Discussion and Analysis

## Exposure to Fluctuations in Commodity Prices

During the Reporting Period, the Group continued 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 reference index prices. The reference index prices that were mostly adopted by the Group during the Reporting Period were the 65 IO Price and Platts IODEX Price.

During the Reporting Period, the Group recognised net losses of approximately US\$4.9 million (net gains of approximately US\$1.8 million for the Corresponding Prior Period) and net gains of approximately US\$7.6 million (net losses of approximately US\$3.3 million for the Corresponding Prior Period) from the hedging transactions in the Group's revenue and cost of sales, respectively.

As at 30 June 2023, the Group had an aggregate open position of iron ore futures or swap contracts of 630,000 tonnes expiring by the end of September 2023 with a negative carrying value of approximately US\$0.8 million which has been recognised as financial liabilities at fair value through profit or loss and included in the Group's other current financial liabilities at that date.

## 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 interim 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 30 June 2023, the Group had a total of 23 (23 as at 31 December 2022) employees in Hong Kong and Mainland China. During the Reporting Period, the Group's staff costs (inclusive of Directors' emoluments) were approximately US\$1.9 million (approximately US\$1.7 million for the Corresponding Prior Period).

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.

# Management Discussion and Analysis

## Employees and Remuneration Policies *(Continued)*

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 30 June 2023, the Group did not have any material contingent liabilities.

## Event after the Reporting Period

From 30 June 2023 to the date of this interim report, there was no important event affecting the Group.

## Outlook and Future Plans

China's steel demand recovery post-COVID remains sluggish, mostly due to the subdued level of real estate construction activity. Steel demand in China could be expected to recover slowly over a longer period, according to sources.

China's steel sector is the key end-user of iron ores, but the industry has been facing a slowdown due to the decrease in downstream demand from the property sector. Therefore, the seaborne iron ore market prices are likely to be bearish for the rest of 2023 on expectations of weak demand from steelmakers in China amid extreme weather and unfavourable production margins, while there remains cautious optimism over the Chinese government announcing measures to support the property market and potentially providing additional stimulus moving forward.

Steel mills are unlikely to further increase their demand for iron ores unless they see clearer signs of recovery of steel demand to levels that can support healthy production margins. China's iron ore inventories are expected to rise in the second half of 2023, led by a slowdown in the domestic steel sector amid ailing downstream demand, according to industry sources. In addition, the slowdowns in global economic growth, world trade and investment, as well as geopolitical risks remain the negative factors in the market of iron ore.

# Management Discussion and Analysis

## Outlook and Future Plans *(Continued)*

On the other hand, the increase in the utilisation of high-grade iron ores is expected to support the decarbonisation endeavours of China as less energy is needed in the iron-making process. Targeting to achieve carbon neutrality before 2060, China has mandated zero output growth in its steel sector in the last two years as it seeks to limit carbon emissions from one of its most polluting industries. According to sources, Chinese authorities are reportedly considering to establish an official target of lowering steel output by about 2.5% in 2023. The market considers that China will continue to cap crude steel output in order to assist the country in meeting its decarbonisation goals. It could be favourable to the Group's product offerings which are mainly high-grade Hematite Ores. However, this may also raise concern in the medium to long term, potentially affecting the overall iron ore demand in China.

With aforesaid market sentiment further dampened by flooding in Hebei, the top steelmaking province in China, in August 2023, the further weakened steel demand is expected to add difficulties and create challenges to the Resources Business, in particular, in trade negotiation and product pricing. Going forward, the seaborne iron ore market prices are expected to remain sensitive, fast-moving and highly volatile. It has created challenges in the execution of hedging strategies 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.

# Independent Review Report



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

安永會計師事務所  
香港鰂魚涌英皇道979號  
太古坊一座27樓

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

## To the Board of Directors of Newton Resources Ltd

(Incorporated in the Cayman Islands with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 14 to 36, which comprises the condensed consolidated statement of financial position of Newton Resources Ltd (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

*Ernst & Young*  
Certified Public Accountants  
Hong Kong

24 August 2023

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

Six-month period ended 30 June 2023

	Notes	Six-month period ended 30 June	
		2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
<b>Revenue</b>	3	<b>215,471</b>	108,650
Cost of sales		<b>(209,145)</b>	(105,236)
<b>Gross profit</b>		<b>6,326</b>	3,414
Other income and gains, net		<b>255</b>	(35)
Selling and distribution costs		<b>(1,588)</b>	(1,415)
Administrative expenses		<b>(1,406)</b>	(1,156)
Finance expenses, net		<b>(388)</b>	(446)
Share of losses of an associate		<b>(6)</b>	(7)
<b>Profit before tax</b>	4	<b>3,193</b>	355
Income tax expenses	5	<b>(337)</b>	(169)
<b>Profit for the period</b>		<b>2,856</b>	186
<b>Other comprehensive income</b>			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<b>(9)</b>	10
<b>Other comprehensive income for the period, net of tax</b>		<b>(9)</b>	10
<b>Total comprehensive income for the period</b>		<b>2,847</b>	196

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

Six-month period ended 30 June 2023

	Notes	Six-month period ended 30 June	
		2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
<b>Profit/(loss) attributable to:</b>			
Owners of the Company		2,844	240
Non-controlling interests		12	(54)
		<b>2,856</b>	186
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		2,835	245
Non-controlling interests		12	(49)
		<b>2,847</b>	196
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic and diluted ( <i>US cents</i> )	7	0.07	0.01



# Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		119	175
Right-of-use assets		248	340
Other long-term asset	8	11,797	13,422
Investment in an associate		192	208
Total non-current assets		12,356	14,145
<b>Current assets</b>			
Trade and bills receivables	9	27,766	23,156
Other current financial assets		11,843	7,454
Prepayments and other receivables		4,418	140
Income tax recoverables		41	61
Restricted bank deposits		3,141	4,399
Cash and cash equivalents		10,317	11,516
Total current assets		57,526	46,726
<b>Current liabilities</b>			
Trade and bills payables	10	26,041	25,235
Other current financial liabilities		4,014	1,762
Contract liability		1,116	688
Other payables and accruals		3,071	597
Interest-bearing bank and other borrowings		4,433	4,430
Income tax payables		311	5
Total current liabilities		38,986	32,717
<b>Net current assets</b>		<b>18,540</b>	14,009
<b>Total assets less current liabilities</b>		<b>30,896</b>	28,154

# Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
<b>Non-current liabilities</b>			
Interest-bearing bank and other borrowings		71	176
Total non-current liabilities		71	176
<b>Net assets</b>			
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	46,890	46,890
Reserves		(16,982)	(19,817)
		29,908	27,073
<b>Non-controlling interests</b>		917	905
<b>Total equity</b>		<b>30,825</b>	27,978

# Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2023

	Attributable to owners of the Company							Total equity US\$'000
	Share capital US\$'000	Share premium account US\$'000	Capital reserves US\$'000	Exchange fluctuation reserve US\$'000	Accumulated losses US\$'000	Total US\$'000	Non-controlling interests US\$'000	
At 1 January 2023 (audited)	46,890	101,684	11,466	(133)	(132,834)	27,073	905	27,978
Profit for the period	-	-	-	-	2,844	2,844	12	2,856
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	(9)	-	(9)	-	(9)
<b>Total comprehensive income for the period</b>	-	-	-	(9)	2,844	2,835	12	2,847
<b>At 30 June 2023 (unaudited)</b>	<b>46,890</b>	<b>101,684*</b>	<b>11,466*</b>	<b>(142)*</b>	<b>(129,990)*</b>	<b>29,908</b>	<b>917</b>	<b>30,825</b>

\* These reserve accounts comprise the deficiency in reserves of United States Dollars ("US\$") 16,982,000 in the condensed consolidated statement of financial position as at 30 June 2023.

# Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2023

	Attributable to owners of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserves	Exchange fluctuation reserve	Accumulated losses			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2022 (audited)	46,890	101,684	11,466	(106)	(130,698)	29,236	994	30,230
Profit/(loss) for the period	-	-	-	-	240	240	(54)	186
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	-	-	-	5	-	5	5	10
Total comprehensive income for the period	-	-	-	5	240	245	(49)	196
At 30 June 2022 (unaudited)	46,890	101,684	11,466	(101)	(130,458)	29,481	945	30,426

# Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2023

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
<b>Cash flows from operating activities</b>		
Profit before tax	3,193	355
Adjustments for:		
Finance costs	388	446
Bank interest income	(248)	(3)
Share of losses of an associate	6	7
Depreciation of items of property, plant and equipment	56	53
Depreciation of right-of-use assets	92	94
Amortisation of other long-term asset	1,625	735
<b>Cash flows before working capital changes</b>	<b>5,112</b>	<b>1,687</b>
Increase in trade and bills receivables	(4,610)	(16,291)
(Increase)/decrease in other current financial assets	(4,693)	457
Increase in prepayments and other receivables	(4,278)	(15,343)
Decrease in restricted bank deposits	1,258	–
Increase in trade and bills payables	806	14,519
Increase in other current financial liabilities	2,199	1,933
Increase in contract liability	428	952
Increase in other payables and accruals	2,492	11,458
<b>Cash used in operations</b>	<b>(1,286)</b>	<b>(628)</b>
Interest received	252	3
Hong Kong profits tax paid	(11)	–
<b>Net cash flows used in operating activities</b>	<b>(1,045)</b>	<b>(625)</b>
<b>Cash flows from investing activities</b>		
Purchase of items of property, plant and equipment	–	(5)
<b>Net cash flows used in investing activities</b>	<b>–</b>	<b>(5)</b>

# Condensed Consolidated Statement of Cash Flows

Six-month period ended 30 June 2023

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
<b>Cash flows from financing activities</b>		
Repayment of bank and other borrowings	–	(508)
Interest and other finance expenses paid	(335)	(486)
Principal portion of lease payments	(102)	(93)
Capital injection of a subsidiary from non-controlling interests	300	–
<b>Net cash flows used in financing activities</b>	<b>(137)</b>	<b>(1,087)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,182)</b>	<b>(1,717)</b>
Cash and cash equivalents at beginning of period	11,516	14,504
Effect of foreign exchange rate changes, net	(17)	(39)
<b>Cash and cash equivalents at end of period</b>	<b>10,317</b>	<b>12,748</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	2,523	9,701
Non-pledged time deposits with original maturity of less than three months when acquired	7,794	3,047
<b>Cash and cash equivalents at end of period</b>	<b>10,317</b>	<b>12,748</b>

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 1. Basis of Preparation

The interim condensed consolidated financial information for the six-month period ended 30 June 2023 (the “Interim Financial Information”) has been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Interim Financial Information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

## 2. Changes in Accounting Policies

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 3. Revenue and Segment Information

During the reporting period, the principal activities of the Group included sourcing and supply of iron ores and other commodities (the “Resources Business”). The Resources Business was the only reportable business segment of the Group during the six-month periods ended 30 June 2023 and 2022.

An analysis of revenue is as follows:

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Revenue from contracts with customers	217,698	110,874
Revenue from other sources:		
Quotation period price adjustments (Note)		
– relating to prior period shipments	888	–
– relating to current period shipments	1,833	(4,039)
Net (losses)/gains on iron ore futures or swap contracts	(4,948)	1,815
	215,471	108,650

Note: The Group has continued to adopt the provisional pricing arrangements for the sales of certain iron ore products and those sales to the customers are subject to future quotation periods (the “QPs”) that differ from the periods that the inventories are delivered and finalising the iron ore selling prices based on the agreed market pricing formulae taking into account the relevant benchmark prices and indices of future QPs. As a result, certain of the Group’s iron ore products are provisionally priced at the date when revenue is recognised. In this 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 30 June 2023, 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.



# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

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

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
<b>Types of goods/services</b>		
Sale of iron ores	201,457	99,595
Shipping services	16,241	11,279
Total revenue from contracts with customers	217,698	110,874
<b>Geographical markets (Note)</b>		
Mainland China	217,698	103,450
Others	–	7,424
Total revenue from contracts with customers	217,698	110,874
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	201,457	99,595
Services transferred over time	16,241	11,279
Total revenue from contracts with customers	217,698	110,874

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

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 4. Profit Before Tax

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

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Cost of inventories sold	198,925	89,949
Shipping costs	16,241	11,279
Net (gains)/losses on iron ore futures or swap contracts included in cost of sales	(7,646)	3,273
Amortisation of other long-term asset included in cost of sales	1,625	735
Depreciation of items of property, plant and equipment	56	53
Depreciation of right-of-use assets	92	94
Interest on bank and other borrowings	259	162

## 5. Income Tax Expenses

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 reporting period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (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%).

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Current – Hong Kong profits tax	337	169

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 6. Dividend

The directors do not recommend the payment of an interim dividend to shareholders for the six-month period ended 30 June 2023 (six-month period ended 30 June 2022: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the periods attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 4,000,000,000 in issue during the six-month periods ended 30 June 2023 and 2022.

The calculation of basic earnings per share is based on:

	Six-month period ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation ( <i>US\$'000</i> )	2,844	240
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ( <i>thousands of shares</i> )	4,000,000	4,000,000

Diluted earnings per share amounts were the same as the basic earnings per share amounts as the Company had no potentially dilutive ordinary shares in issue during the six-month periods ended 30 June 2023 and 2022.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 8. Other Long-Term Asset

The Group recognised the contractual rights and obligations to purchase hematite ores from the hematite mine (the “Hematite Mine”) under a long term hematite ore supply agreement (the “Contract”) as the other long-term asset as at 30 June 2023 and 31 December 2022. The Contract entitled the Group to purchase the hematite ores from the Hematite Mine in an annual quantity that equals 80% of total available production of the Hematite Mine during each contract year to the date of permanent cessation of the mining operations at the Hematite Mine.

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

During the six-month periods ended 30 June 2023 and 2022, the Group had no addition or disposal of other long-term asset.

## 9. Trade and Bills Receivables

	<b>30 June 2023 US\$'000 (Unaudited)</b>	31 December 2022 US\$'000 (Audited)
Trade receivables	<b>10,035</b>	4,336
Bills receivables	<b>17,731</b>	18,820
Total	<b>27,766</b>	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 30 June 2023 and 31 December 2022, the Group’s trade and bills receivables were non-interest-bearing.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

The trade and bills receivables of the Group as at 30 June 2023 and 31 December 2022 were measured at fair value through profit or loss. 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 of the relevant QPs and were stated at the fair value.

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

	<b>30 June 2023 US\$'000 (Unaudited)</b>	31 December 2022 US\$'000 (Audited)
Within 3 months	<b>27,766</b>	23,156

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 10. Trade and Bills Payables

Certain of the Group's purchases are settled by letters of credit up to a tenor of 120 days. As at 30 June 2023, the Group's bills payable amounted to US\$16,009,000 (31 December 2022: US\$20,207,000). An ageing analysis of the trade and bills payables as at the end of the reporting periods, based on the invoice date, is as follows:

	<b>30 June 2023 US\$'000 (Unaudited)</b>	31 December 2022 US\$'000 (Audited)
Within 3 months	<b>26,041</b>	25,235

The Group's trade and bills payables were non-interest-bearing as at 30 June 2023 and 31 December 2022.

Set out below is the measurement of trade and bills payables of the Group as at 30 June 2023 and 31 December 2022.

	<b>30 June 2023 US\$'000 (Unaudited)</b>	31 December 2022 US\$'000 (Audited)
Trade and bills payables		
– at amortised cost	<b>237</b>	315
– at fair value through profit or loss (Note)	<b>25,804</b>	24,920
<b>Total</b>	<b>26,041</b>	25,235

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\$25,804,000, were measured at the estimated forward commodity prices of the relevant QPs at 30 June 2023 (31 December 2022: US\$24,920,000) and were stated at the fair value.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 11. Share Capital

### Shares

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK\$0.1 each	<b>1,000,000</b>	1,000,000
	<b>US\$'000 (Unaudited)</b>	US\$'000 (Audited)
Issued and fully paid:		
4,000,000,000 ordinary shares of HK\$0.1 each, totally HK\$400,000,000	<b>46,890</b>	46,890

## 12. Share Option Scheme

The Company adopted a share option scheme (the “2020 Share Option Scheme”) at the annual general meeting held on 12 June 2020 to enable it to grant share options as incentives or rewards to eligible participants for their contribution to the Group. Unless otherwise 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. During the six-month period ended 30 June 2023 and up to the date of approval of this interim report, no share option was outstanding, or has been granted, exercised, cancelled or lapsed under the 2020 Share Option Scheme. As at 1 January 2023 and 30 June 2023, the total number of share options that were available for grant under the 2020 Share Option Scheme is 400,000,000.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

## 13. Related Party Transactions

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

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Guarantee fee paid and payable to a substantial shareholder of the Company (Note)	124	317

Note: A substantial shareholder (as defined in the Listing Rules) of the Company (the "Guarantor") has guaranteed and indemnified the obligations of Ace Profit Investment Limited, an indirect wholly-owned subsidiary of the Company, under the Contract mentioned in Note 8 to the Interim Financial Information with a maximum liability of US\$75,000,000. The Group shall pay a capped sum of HK\$5,000,000 to the Guarantor in respect of each calendar year from the date of the guarantee becoming unconditional until none of the obligations and undertakings of the Guarantor remains in full force and effect.

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.



# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

### (b) Outstanding balances with related parties

The Group had an outstanding balance due to a substantial shareholder of the Company of US\$53,000 as at the end of the reporting period (31 December 2022: Nil). This balance is unsecured, interest-free and has no fixed terms of repayment.

### (c) Compensation of key management personnel of the Group

	Six-month period ended 30 June	
	2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Directors' fees	54	54
Salaries, allowances and benefits in kind	253	253
Pension scheme contributions	2	2
Total compensation paid to key management personnel	309	309

Other than the emoluments paid to the directors and the chief executive of the Company (being the key management personnel of the Company) as disclosed above, there was no significant compensation arrangement to the Group's key management personnel during the six-month periods ended 30 June 2023 and 2022.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

### Fair value

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

	Carrying amounts		Fair values	
	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
<b>Financial assets</b>				
Trade and bills receivables at fair value through profit or loss	27,766	23,156	27,766	23,156
Other current financial assets at fair value through profit or loss (Note)	–	2,134	–	2,134
Other receivables at fair value through profit or loss	3,942	–	3,942	–
	<b>31,708</b>	25,290	<b>31,708</b>	25,290
<b>Financial liabilities</b>				
Trade and bills payables at fair value through profit or loss	25,804	24,920	25,804	24,920
Other current financial liabilities at fair value through profit or loss (Note)	820	–	820	–
Other payables at fair value through profit or loss	2,017	–	2,017	–
	<b>28,641</b>	24,920	<b>28,641</b>	24,920

Note: As at 30 June 2023, the Group had an aggregate open position of iron ore futures or swap contracts of 630,000 tonnes expiring by the end of September 2023 with a negative carrying value of US\$820,000 which has been recognised as financial liabilities at fair value through profit or loss (31 December 2022: positive carrying value of US\$2,134,000 recognised as financial assets at fair value through profit or loss).

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

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

Management has assessed that the fair values of 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, trade and bills payables, other receivables from the suppliers and other payables to the customers classified as financial assets at fair value through profit or loss or financial liabilities at fair value through profit or loss are determined by incorporating market observable inputs sourced from applicable iron ore indices, 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.

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

### Fair value hierarchy

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

### Assets and liabilities measured at fair value

As at 30 June 2023

	Fair value measurement using			Total US\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) US\$'000 (Unaudited)	Significant observable inputs (Level 2) US\$'000 (Unaudited)	Significant unobservable inputs (Level 3) US\$'000 (Unaudited)	
<b>Financial assets:</b>				
Trade and bills receivables	–	27,766	–	27,766
Other receivables	–	3,942	–	3,942
	–	31,708	–	31,708
<b>Financial liabilities:</b>				
Trade and bills payables	–	25,804	–	25,804
Other current financial liabilities at fair value through profit or loss	820	–	–	820
Other payables	–	2,017	–	2,017
	820	27,821	–	28,641

# Notes to the Condensed Consolidated Financial Information

Six-month period ended 30 June 2023

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

### Fair value hierarchy *(Continued)*

#### Assets and liabilities measured at fair value *(Continued)*

As at 31 December 2022

	Fair value measurement using			Total US\$'000 (Audited)
	Quoted prices in active markets (Level 1) US\$'000 (Audited)	Significant observable inputs (Level 2) US\$'000 (Audited)	Significant unobservable inputs (Level 3) US\$'000 (Audited)	
<b>Financial assets:</b>				
Trade and bills receivables	–	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
<b>Financial liabilities:</b>				
Trade and bills payables	–	24,920	–	24,920

## 15. Approval of the Interim Financial Information

The Interim Financial Information was approved and authorised for issue by the board of directors of the Company on 24 August 2023.

# Other Information

## Corporate Governance Practices

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

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

## Model Code for Securities Transactions by Directors

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

## Changes in Director's Information

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

<b>Name of Director</b>	<b>Details of Changes</b>
Mr. Lee Kwan Hung, Eddie	Ceased to be an independent non-executive director of Red Star Macalline Group Corporation Ltd. (stock code: 1528), a company listed on the main board of the Stock Exchange, and at the same time ceased to be the chairman of its nomination committee and a member of its audit committee after the conclusion of the general meeting held on 15 August 2023 upon the expiration of his term of office

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

## Other Information

### Review of Interim Financial Information

The Audit Committee has reviewed the unaudited interim results and interim report of the Company containing unaudited Interim Financial Information of the Group for the Reporting Period and has no disagreement with such accounting treatments adopted by the Group. In addition, the Company's auditor, Messrs. Ernst & Young, has reviewed the unaudited Interim Financial Information of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants.

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

As at 30 June 2023, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### Share Option Scheme

The Company adopted 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 the Reporting Period. Details of the 2020 Share Option Scheme are set out in Note 12 to the Interim Financial Information.

## Other Information

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

#### Long Position in Shares

As at 30 June 2023, so far as known to any Director, the following parties (other than Directors or chief executive of the Company) had interests in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

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



## Other Information

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

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

Notes:

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

Save as disclosed above, the Directors are not aware of any persons who, as at 30 June 2023, had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO.

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

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

# Glossary of Terms

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

“Ace Profit”	Ace Profit Investment Limited (向利投資有限公司), a limited liability company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company with its principal activities being the sourcing and supply of iron ores
“Annual Report 2022”	the annual report of the Company for the year ended 31 December 2022
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
“Company”	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, and the shares of which are listed on the Main Board of the Stock Exchange
“Corresponding Prior Period”	the six-month period ended 30 June 2022
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries collectively
“Hematite Mine”	the hematite mine situated at Koolan Island, Western Australia
“Hematite Ore(s)”	the iron ore(s) of high-grade for direct shipping ore sales
“HK\$” or “HKD”	Hong Kong dollar, the lawful currency of Hong Kong
“Koolan”	Koolan Iron Ore Pty Limited, a company incorporated in Australia, the registered holder of the Hematite Mine and an indirect wholly-owned subsidiary of MGI
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

## Glossary of Terms

“MGI”	Mount Gibson Iron Limited, a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Mt”	million tonnes
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the six-month period ended 30 June 2023
“Restated Long Term Hematite Ore Supply Agreement”	the amended and restated Koolan Island long term hematite ore sale agreement entered into by MGI, Koolan, the Company and Ace Profit under a deed of novation, amendment and restatement dated 31 May 2019 among all original parties to the Koolan Island long term ore sale agreement and the Group. Pursuant to the Restated Long Term Hematite Ore Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase Hematite Ores to be derived from the Hematite Mine in such annual quantity as equals 80% of Koolan’s total available production during each contract year at the agreed market pricing formulae for the period from the effective time of the aforesaid deed of novation, amendment and restatement to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“tonne(s)”	equal to 1,000 kilograms
“US\$” or “USD”	the United States dollar, the lawful currency of the United States of America

# Corporate Information

## Board of Directors

### Executive Directors

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

### Independent Non-executive Directors

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

## Board Committees

### Audit Committee

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

### Remuneration Committee

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

### Nomination Committee

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

### Investment Committee

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

## Company Secretary

Mr. Luk Yue Kan

## Registered Office

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

## Principal Place of Business in Hong Kong

Units 4204-05, 42/F  
Dah Sing Financial Centre  
248 Queen's Road East  
Wan Chai, Hong Kong

## Principal Share Registrar and Transfer Office

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

## Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

# Corporate Information

## Auditor

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

## Solicitors

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

## Principal Bankers

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

## Stock Code

Hong Kong Stock Exchange 1231

## Share Information

Board lot size: 2000

## Investor Information

For more information about the Group, please contact  
the Investor Relations Department at:

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

## Website

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



**新礦資源有限公司**  
NEWTON RESOURCES LTD

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

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

