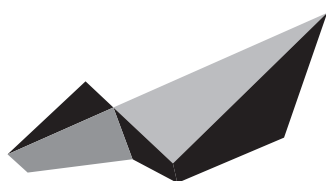

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Newton Resources Ltd, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

CONNECTED TRANSACTION

ASSIGNMENT AND NOVATION AGREEMENT IN RELATION TO THE LONG TERM HEMATITE SUPPLY AGREEMENT

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 6 to 22 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from the IFA containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 46 of this circular.

A notice convening the EGM to be held at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 24 July 2019 at 11:45 a.m. or any adjournment of such meeting is set out on pages 66 to 68 of this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed on it and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which address will be changed to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11 July 2019), as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e., at or before 11:45 a.m. on Monday, 22 July 2019 (Hong Kong time)) or any adjournment of such meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

8 July 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Ace Profit”	Ace Profit Investment Limited (向利投資有限公司) , a limited company incorporated in Hong Kong and an indirect wholly owned subsidiary of the Company with its principal activities being the supply and trading of iron ores
“affiliates”	means, in relation to a body corporate, any subsidiary or holding company of such body corporate, and any subsidiary of any such holding company for the time being
“Assignment and Novation Agreement”	the conditional agreement for assignment and novation of the Long Term Hematite Supply Agreement entered into between Shougang Concord International and the Company on 31 May 2019, pursuant to which Shougang Concord International shall assign and novate, and shall procure SCIT to assign and novate their respective Rights and Obligations to the Company and Ace Profit respectively
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Newton Resources Ltd, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Assignment and Novation Agreement in accordance with the provisions therein
“Completion Date”	the date on which the Completion takes place, being the 10th business day after the last condition precedent to which the Assignment and Novation Agreement is satisfied or waived in accordance with the provisions thereof, or such other date as the parties may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration for the assignment and novation of the Rights and Obligations payable by the Company to Shougang Concord International under the Assignment and Novation Agreement

DEFINITIONS

“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of Guarantee and Indemnity”	the deed of guarantee and indemnity executed by VMSIG and Koolan contemporaneously with the Novation Deed, under which VMSIG agrees to unconditionally and irrevocably guarantee to Koolan the due and punctual performance of Ace Profit’s obligations under the Restated Long Term Hematite Supply Agreement and to indemnify Koolan against all losses, actions, proceedings and judgments arising from any default or delay in the performance of such obligations, with the liability of VMSIG for all claims thereunder capped at US\$75 million
“Director(s)”	the director(s) of the Company
“Effective Time”	00:01 a.m. (Western Australia time) on the day following the date on which all of the conditions precedent set out in the Novation Deed have been satisfied or waived in accordance with its terms, being the time at which the novation of the Rights and Obligations and the amendment and restatement of the Long Term Hematite Supply Agreement under the Novation Deed becomes effective in accordance with its terms
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to, among others, consider and, if thought fit, approve the connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder)
“Fast Fortune”	Fast Fortune Holdings Limited, a company incorporated in the British Virgin Islands, a Shareholder and a direct wholly owned subsidiary of VMSIG
“Group”	the Company and its subsidiaries from time to time
“Hematite Mine”	the hematite mine situated at Koolan Island, Western Australia which is comprised of mining leases M04/416 and M04/417 and exploration licences E04/1266
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“IFA”	Halcyon Capital Limited, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder)
“Independent Board Committee”	an independent committee of the Board, comprising all the three independent non-executive Directors, established to advise the Independent Shareholders in respect of the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder)
“Independent Shareholders”	Shareholder(s) other than Shougang Group, Shougang Hong Kong, Lord Fortune, Plus All, VMSIG, Fast Fortune and their respective associates, and all other Shareholders with a material interest in the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder)
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected person(s) of the Company
“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
“Latest Practicable Date”	4 July 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Long Stop Date”	the 210th day from the date of the Assignment and Novation Agreement, or such later date as the parties may agree in writing from time to time
“Lord Fortune”	Lord Fortune Enterprises Limited, a company incorporated in the British Virgin Islands, a Shareholder and a direct wholly owned subsidiary of Shougang Hong Kong

DEFINITIONS

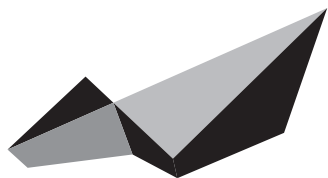
“MGI”	Mount Gibson Iron Limited, a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange
“MGI Group”	MGI and its subsidiaries from time to time
“Novation Deed”	the conditional deed of novation, amendment and restatement to effectuate the assignment and novation by Shougang Concord International and SCIT of their respective Rights and Obligations to the Company and Ace Profit respectively contemplated under the Assignment and Novation Agreement, as well as the amendment and restatement of the Long Term Hematite Supply Agreement entered into among all the parties to the Long Term Hematite Supply Agreement (namely MGI, Koolan, Shougang Concord International and SCIT), the Company and Ace Profit on the date of the Assignment and Novation Agreement
“Plus All”	Plus All Holdings Limited, a company incorporated in the Samoa, a substantial Shareholder and a direct wholly owned subsidiary of Shougang Hong Kong
“PRC”	the People’s Republic of China which, for the purpose of this circular, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Restated Long Term Hematite Supply Agreement”	the Long Term Hematite Supply Agreement as amended and restated in accordance with the Novation Deed
“Rights and Obligations”	the respective rights and obligations of Shougang Concord International as the guarantor and SCIT as the buyer under the Long Term Hematite Supply Agreement to be assigned and novated to the Company as the new guarantor and Ace Profit as the new buyer respectively pursuant to the Assignment and Novation Agreement and the Novation Deed
“RMB”	Renminbi, the lawful currency of the PRC
“SCIT”	SCIT Trading Limited, a company incorporated in Hong Kong and an indirect wholly owned subsidiary of Shougang Concord International
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Shougang Group”	首鋼集團有限公司 (Shougang Group Co., Ltd.*), a state-owned enterprise established in the PRC, a controlling shareholder of Shougang Concord International and a substantial shareholder of the Company
“Shougang Concord International”	Shougang Concord International Enterprises Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“Shougang Hong Kong”	Shougang Holding (Hong Kong) Limited, a company incorporated in Hong Kong, a substantial shareholder of each of the Company and Shougang Concord International and a direct wholly owned subsidiary of Shougang Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“US\$” or “USD”	the United States dollar, the lawful currency of the United States of America
“Valuation”	the appraisal of the value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement as at 31 March 2019 using the discounted cash flow method
“Valuation Report”	the report on the Valuation prepared by the Valuer dated 8 July 2019, the full text of which is set out in Appendix I to this circular
“Valuer”	D&P China (HK) Limited, an independent professional valuer engaged by the Company for the purpose of appraisal of the value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement
“VMSIG”	VMS Investment Group Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder
“%”	per cent.

* for identification purpose only

LETTER FROM THE BOARD



新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

Executive Directors:

Mr. Chong Tin Lung, Benny
Mr. Li Changfa
Mr. Luk Yue Kan

Non-executive Director:

Mr. Wu Wai Leung, Danny

Independent non-executive Directors:

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

Registered office:

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

Principal place of business in Hong Kong:

Suite 4117
41/F, Jardine House
1 Connaught Place
Central, Hong Kong

8 July 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

ASSIGNMENT AND NOVATION AGREEMENT IN RELATION TO THE LONG TERM HEMATITE SUPPLY AGREEMENT

1. INTRODUCTION

Reference is made to the announcement of the Company dated 31 May 2019 in relation to the Assignment and Novation Agreement entered into between Shougang Concord International and the Company, the transaction contemplated under which constitutes a connected transaction of the Company.

The purpose of this circular is to provide you with information regarding the resolution to be proposed at the EGM relating to the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder).

LETTER FROM THE BOARD

2. BACKGROUND

MGI, Koolan (as seller), Shougang Concord International (as guarantor) and SCIT (as the current buyer) are the parties to the Koolan Island long term ore sale agreement in relation to the supply of hematite ore by Koolan to SCIT from time to time, which was first executed on 22 November 2008 and has subsequently been novated, amended, supplemented and restated from time to time (the “**Long Term Hematite Supply Agreement**”). Pursuant to the Long Term Hematite Supply Agreement, Koolan, an indirect wholly owned subsidiary of MGI, shall supply and sell and SCIT shall purchase hematite ore 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 during the period from 1 July 2009 to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine. Shougang Concord International, as the guarantor, shall unconditionally and irrevocably guarantee to Koolan the compliance of SCIT, its indirect wholly owned subsidiary, with SCIT’s obligations in connection with the Long Term Hematite Supply Agreement. Hematite ore is iron ore of high grade for direct shipping ore sales.

On 31 May 2019, Shougang Concord International and the Company entered into the Assignment and Novation Agreement, pursuant to which Shougang Concord International shall assign and novate, and shall procure SCIT to assign and novate their respective Rights and Obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit respectively for the Consideration of HK\$150 million. The assignment and novation of the Rights and Obligations shall be effected by way of the execution of the conditional Novation Deed on the date of the Assignment and Novation Agreement. In addition, under the Deed of Guarantee and Indemnity, VMSIG shall unconditionally and irrevocably guarantee to Koolan the due and punctual performance of Ace Profit’s obligations under the Restated Long Term Hematite Supply Agreement and to indemnify Koolan against all losses, actions, proceedings and judgments arising from any default or delay in the performance of such obligations, with the liability of VMSIG for all claims thereunder capped at US\$75 million.

3. ASSIGNMENT AND NOVATION AGREEMENT

The following sets forth further details of the Assignment and Novation Agreement:

Parties

- (1) Shougang Concord International
- (2) The Company

Date

31 May 2019

LETTER FROM THE BOARD

Subject Matter

Shougang Concord International shall assign and novate, and shall procure SCIT to assign and novate their respective Rights and Obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit respectively. Such assignment and novation shall be effected by way of the execution of the conditional Novation Deed by all the parties to the Long Term Hematite Supply Agreement (namely MGI, Koolan, Shougang Concord International and SCIT), the Company and Ace Profit on the date of the Assignment and Novation Agreement.

Consideration

The Consideration for the assignment and novation of the Rights and Obligations under the Long Term Hematite Supply Agreement payable by the Company to Shougang Concord International shall be an aggregate amount of HK\$150,000,000, among which:

- (1) HK\$100,000,000 shall be paid on the Completion Date; and
- (2) HK\$50,000,000 shall be paid on or before 31 December 2019 (the “**Second Instalment**”), provided that if, after the Completion Date, the production activities at the Hematite Mine are suspended or ceased for a continuous period of two months or more and as at 31 December 2019 (other than any suspension or cessation caused by any act, omission or default of the Company, Ace Profit and/or any of their respective affiliates), (i) such production activities have not resumed; or (ii) such production activities have resumed but have not been operated on a full-scale basis for at least two consecutive months after the resumption date, the due date of the Second Instalment shall be postponed to the date falling two months after such production activities have resumed and continued at the Hematite Mine on a full-scale basis for two consecutive months. For the purpose of the foregoing, the production activities at the Hematite Mine shall be deemed to be operated on a full-scale basis if, for the consecutive two-month period, Koolan has completed the delivery of at least five shipments of hematite ore to Ace Profit pursuant to the Restated Long Term Hematite Supply Agreement.

LETTER FROM THE BOARD

Where, during the period commencing on the date of the Assignment and Novation Agreement and ending on 31 December 2020, the amount of hematite ore which is available for derivation from the Hematite Mine falls below 17 million metric tonnes (estimated based on 80% of the proven and probable ore reserves information of the Hematite Mine as publicly announced or disclosed by MGI from time to time), the Company may give written notice (the “**Adjustment Notice**”) to Shougang Concord International, whereby the Consideration shall be deemed to be proportionally reduced according to the shortfall of the amount of hematite ore that can be supplied to Ace Profit under the Restated Long Term Hematite Supply Agreement on a dollar-to-dollar basis by the amount determined based on the following formula (the “**Adjustment Amount**”):

$$\text{Adjustment Amount} = P \times S$$

where

“P” shall be HK\$8.82/metric tonne, being the Consideration divided by 17 million metric tonnes. The 17 million metric tonnes represent the latest proven and probable ore reserves estimate of the Hematite Mine as disclosed in the announcement of MGI dated 20 April 2018, i.e. approximately 21 million metric tonnes, multiplied by the agreed rate of supply as stated in the Restated Long Term Hematite Supply Agreement, i.e. 80%. The value of P represents the consideration per metric tonne paid or payable by the Company to Shougang Concord International for the assignment and novation of the Rights and Obligations; and

“S” shall be the difference between the volume of hematite ore that Koolan will be able to supply to Ace Profit under the Restated Long Term Hematite Supply Agreement during the term thereof (in metric tonnes) and 17 million metric tonnes, provided that no such adjustment will be made if S is equal to or less than 0.85 million metric tonnes.

To the extent that any portion of the Second Instalment payable by the Company to Shougang Concord International has not been paid under the terms of the Assignment and Novation Agreement, the Adjustment Amount shall first be applied to reduce such portion of the Second Instalment, and to the extent that there is any balance of the Adjustment Amount remaining, Shougang Concord International shall pay to the Company such balance within one month after the date of the Adjustment Notice. Where the Second Instalment has been paid in full by the Company, Shougang Concord International shall refund the full amount of the Adjustment Amount to the Company within one month after the date of the Adjustment Notice.

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiations among the parties to the Assignment and Novation Agreement taking into account, among others, the total estimated amount of proved and probable ore reserves of 21 million metric tonnes and the expected average iron grade of 65.5% of the Hematite Mine as disclosed by MGI in its announcements and projected production plan, the price offered by Koolan for the supply of hematite ore to be derived from the Hematite Mine under the Restated Long Term Hematite Supply Agreement, and the value of the Rights and Obligations as at 31 March 2019 as appraised by the Valuer at HK\$150 million using the discounted cash flow method based on, among others, the above factors. Further details of the Valuation are set out in the section headed "Principal Assumptions of the Valuation" below. The Consideration approximates to the reported value of the Rights and Obligations. On the basis of the above and given the mechanisms under which the payment of the Second Instalment may be deferred in the event of a suspension of two months or longer in the production activities at the Hematite Mine after the Completion Date and the Consideration may be proportionally reduced on a dollar-to-dollar basis where the amount of hematite ore available for derivation from the Hematite Mine falls below the expected level during the period commencing on the date of the Assignment and Novation Agreement and up to 31 December 2020, the Directors (including the independent non-executive Directors) consider the Consideration (including the formula for determining the Adjustment Amount) to be fair and reasonable.

The payment of the Consideration will be funded by the internal resources and/or borrowings of the Group.

Conditions Precedent

The Completion is conditional upon the fulfilment of the following conditions:

- (1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Assignment and Novation Agreement having been obtained by Shougang Concord International, the Company and MGI and remaining in full force and effect;
- (2) all necessary approvals (if any) by the Shareholders and the shareholders of MGI as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Assignment and Novation Agreement and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- (3) the Novation Deed having become unconditional in all respects in accordance with its terms;

LETTER FROM THE BOARD

- (4) no order or judgment (whether temporary, preliminary or permanent) of any relevant governmental authority or under any applicable law or regulation which has the effect of making it unlawful for any party to complete, or otherwise prohibiting or restricting or limiting any party from completing any transaction contemplated under the Assignment and Novation Agreement having been issued or made prior to the Completion;
- (5) Shougang Concord International's warranties (except for those warranties which are expressly made in respect of matters as at dates other than the Completion Date, in which case such warranties shall be true and accurate in all respects and not misleading in any respect as at such dates) remaining true and accurate in all respects and not misleading in any respect as at the Completion Date;
- (6) the Company's warranties remaining true and accurate in all respects and not misleading in any respect as at the Completion Date; and
- (7) the resumption of the production activities at the Hematite Mine (as supported by certain shipping and sailing schedules and the relevant written confirmation of laydays given by Koolan to SCIT and the relevant written approval or written notice of alternative schedule given by SCIT to Koolan in accordance with the provisions of the Long Term Hematite Supply Agreement).

At any time before the Long Stop Date, the Company may at its discretion waive (in whole or in part, whether conditionally or unconditionally) in writing condition (5) above, and Shougang Concord International may at its discretion waive (in whole or in part, whether conditionally or unconditionally) in writing condition (6) above. All other conditions as set out above may not be waived or varied at the option of either party. If any of the conditions set out above is not fulfilled or, as the case may be, waived at or before 12:00 noon on the Long Stop Date, then (without prejudice to any other remedy available to the other party) the obligations of the parties shall cease and determine forthwith and neither party shall have any claim under the Assignment and Novation Agreement against the other save in respect of any antecedent breach thereof.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, conditions (1) and (7) above had been fulfilled, and there existed no circumstances which would hinder the satisfaction of conditions (4), (5) and (6) above.

Completion

Subject to fulfilment or waiver (as the case may be) of the conditions set out in the paragraph headed "Conditions Precedent" above, the Completion shall take place at 10:00 a.m. on the Completion Date, being the 10th business day after the last condition precedent is satisfied or waived in accordance with the Assignment and Novation Agreement, or such other date as the parties may agree in writing.

LETTER FROM THE BOARD

4. NOVATION DEED

On the date of the Assignment and Novation Agreement, the Company and Ace Profit have entered into the conditional Novation Deed with Shougang Concord International and SCIT and the other parties to the Long Term Hematite Supply Agreement, namely MGI and Koolan, to effectuate the novation of the Rights and Obligations contemplated under the Assignment and Novation Agreement, as well as the amendment and restatement of the Long Term Hematite Supply Agreement. Completion shall be conditional upon, among others, the Novation Deed having become unconditional in all respect in accordance with its terms.

The Novation Deed is conditional upon the fulfilment of the following conditions:

- (1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Novation Deed having been obtained by Shougang Concord International and the Company and remaining in full force and effect;
- (2) all necessary approvals (if any) by the shareholders of Shougang Concord International and the Shareholders as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Novation Deed and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- (3) Koolan having received from VMSIG one counterpart of the Deed of Guarantee and Indemnity duly executed by it contemporaneously with the execution of the Novation Deed; and
- (4) Koolan having received a legal opinion reasonably acceptable to Koolan in relation to the execution by the parties to the Novation Deed (other than MGI and Koolan) and the enforceability of the Novation Deed and the Deed of Guarantee and Indemnity as Koolan reasonably requires.

Conditions (3) and (4) above may be waived by Koolan and MGI in writing. All other conditions cannot be waived or varied by any of the parties. Any party may by notice to the other parties terminate the Novation Deed at any time if any of conditions (1) to (2) above is not satisfied within 90 days of the date of the execution thereof, or in the case of condition (4), not satisfied or waived within 14 days of the date of execution of the Novation Deed.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, conditions (1), (3) and (4) above had been fulfilled.

LETTER FROM THE BOARD

Deed of Guarantee and Indemnity

Under the Deed of Guarantee and Indemnity executed contemporaneously with the Novation Deed, VMSIG, a substantial Shareholder interested in an aggregate of approximately 28.74% of the issued Shares directly and through its direct wholly owned subsidiary, Fast Fortune, as at the Latest Practicable Date and hence a connected person of the Company, agrees to unconditionally and irrevocably guarantee to Koolan the due and punctual performance of Ace Profit's obligations under the Restated Long Term Hematite Supply Agreement and to indemnify Koolan against all losses, actions, proceedings and judgments arising from any default or delay in the performance of such obligations. The provision of guarantee and indemnity under the Deed of Guarantee and Indemnity by VMSIG helps securing the Novation Deed and the Restated Long Term Hematite Supply Agreement, which provides the Group with the supply of quality hematite ores from an established producer, the MGI Group. The Company has agreed with VMSIG for a maximum annual fee of HK\$5 million for its provision of guarantee and indemnity and continual financial assistance to the Company. The liability of VMSIG for all claims under the Deed of Guarantee and Indemnity is capped at US\$75 million (equivalent to HK\$585 million at the exchange rate of HK\$7.8/US\$1). The above maximum annual fee of HK\$5 million was determined after arm's length negotiations between the Company and VMSIG having taken into account, among others, the indicative rates of charges offered by licensed banks in Hong Kong to the Group for the provision of comparable banking facilities, and the insurance costs to be incurred by the Group for taking out insurance from the Hong Kong Export Credit Insurance Corporation in favour of Koolan to secure the performance of Ace Profit under the Restated Long Term Hematite Supply Agreement, and represents approximately 0.855% of the maximum amount of guarantee given by VMSIG to Koolan of US\$75 million (equivalent to HK\$585 million) under the Deed of Guarantee and Indemnity.

As a form of financial assistance (as defined in the Listing Rules) to be received by the Group from a connected person of the Company, the provision of guarantee and indemnity under the Deed of Guarantee and Indemnity (together with the above maximum annual fee) will be conducted on normal commercial terms and will not be secured by the assets of the Group and will be fair and reasonable to the Company and the Shareholders as a whole. Accordingly, such financial assistance is fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

Principal terms of the Restated Long Term Hematite Supply Agreement

In accordance with the provisions of the Novation Deed, with effect from the Effective Time, the respective Rights and Obligations of Shougang Concord International and SCIT shall be novated to the Company and Ace Profit respectively, and the terms and conditions of the Long Term Hematite Supply Agreement shall be amended and restated in the form set out in the schedule thereto.

LETTER FROM THE BOARD

Under the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase hematite ore 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, where the price should be determined based on (i) the relevant benchmark prices and indexes of hematite ore published by S&P Global Platts, an independent provider of information, benchmark prices and analytics for the energy and commodities markets, from time to time taking into account the quality of hematite ore; (ii) the pricing adjustment factor for hematite ore which does not conform to the designated physical and chemical specifications; (iii) freight cost; and (iv) marketing commission saving (which represents a percentage discount to the unit purchase price), over the period from the Effective Time to the date of permanent cessation of Koolan's mining operations at the Hematite Mine. As last announced by MGI on 24 April 2019, the Hematite Mine has ore reserves totalling 21 million tonnes of an average iron grade of 65.5% scheduled to be mined over the next 5.5 years, and the high grade iron ore sales from the Hematite Mine has recommenced. For further details regarding the background and current operations of the Hematite Mine, please refer to the section headed "6. Background of MGI, Koolan and the Hematite Mine" in the Letter from the Board in this circular.

Koolan shall not enter into any further offtake agreements for the sale of hematite ore derived from the Hematite Mine which, at any point in time during the term of the Restated Long Term Hematite Supply Agreement, forms its available production and the subject matter of the Restated Long Term Hematite Supply Agreement without first obtaining the written consent of Ace Profit which it may give at its sole discretion, unless specifically provided for in the Restated Long Term Hematite Supply Agreement, such that the proportion of total output of hematite ore derived from the Hematite Mine which Ace Profit receives under the Restated Long Term Hematite Supply Agreement in any contract year shall not decrease in any subsequent contract year. The Company, as the guarantor, shall unconditionally and irrevocably guarantee to Koolan the compliance of Ace Profit, as the buyer, with its obligations in connection with the Restated Long Term Hematite Supply Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, all the other parties to the Novation Deed (other than Shougang Concord International and SCIT) and their ultimate beneficial owners are Independent Third Parties.

5. PRINCIPAL ASSUMPTIONS OF THE VALUATION

According to the Valuation Report, the full text of which is set out in Appendix I to this circular, the value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement as at 31 March 2019 as appraised by the Valuer using the discounted cash flow approach is HK\$150 million. The Valuation constitutes a profit forecast under rule 14.61 of the Listing Rules.

LETTER FROM THE BOARD

The following sets forth the principal assumptions, including commercial assumptions, upon which the Valuation was based:

- (a) the stage of development of the Hematite Mine and the total production volume of the Hematite Mine from the estimated remaining mine life of 5.5 years, as disclosed in its projected production plan;
- (b) the agreed percentage of the output from the Hematite Mine will be supplied under the Restated Long Term Hematite Supply Agreement;
- (c) the iron ores will be purchased at the prevailing agreed price formulae, and delivered and sold to the PRC market at the forecasted iron ore prices with the estimated iron quality of 65% with reference to the relevant benchmark prices and indexes, i.e. the Platts iron ore indexes published by S&P Global Platts from time to time;
- (d) the prevailing applicable Hong Kong profits tax rates have been applied; and
- (e) the discount rate of 11% (at which each annual net cash flow was discounted to present value) was based on the estimated weighted average cost of capital, which incorporates the cost of equity and debt, weighted by the proportionate amount of each source of capital in the capital structure, and the risk-free rate and the risk premium appropriate for the Valuation.

Other key assumptions adopted in the Valuation are:

- no major changes are expected in political, legal and economic conditions in Hong Kong, China and Australia;
- the regulatory environment and market conditions for the global steel and iron ore industry will be developing according to the prevailing market expectations;
- there will be no major changes in the current taxation law applicable to the Restated Long Term Hematite Supply Agreement;
- the Group will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from the prevailing market expectations; and
- the Group will retain competent management, key personnel and technical staff to support the ongoing operations under the Restated Long Term Hematite Supply Agreement.

LETTER FROM THE BOARD

Ernst & Young, the Company's reporting accountants, has reviewed the calculations for the Valuation and is of the opinion that so far as the arithmetical accuracy of the calculations of the forecast on which the Valuation is based (the "**Forecast**") is concerned, the Forecast has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Directors. The report from the Company's reporting accountants in respect of the Valuation setting out its views above is included in Appendix II to this circular.

The Directors have reviewed the bases and assumptions (including the underlying information and documents) based upon which the Valuation was prepared by the Valuer and discussed the same with the Valuer with a view to understanding the underlying information and reasonableness thereof, and have reviewed the Valuation for which the Valuer is responsible. In particular, as part of the Directors' independent due diligence works, the Directors have considered the valuation methodology adopted by the Valuer in preparing the Valuation and the reasons thereof, and have concurred with the Valuer that the discounted cash flow method under the income approach was the appropriate approach for the valuation of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement. The Directors have also reviewed the key assumptions adopted by the Valuer and, having regarded to the status of operation of the Hematite Mine and its historical performance, its prospects, the economic, political and industry conditions affecting the mining operation in Australia and the global steel and iron ore industry, the Group's business plan and the Forecast, the Directors consider these key assumptions to be fair and reasonable, and are not aware of any circumstance which would be inconsistent with any of these assumptions in any material respect. In relation to the material information used by the Valuer for the preparation of the Valuation, the Directors have checked the sources of such information and are satisfied that the information has been obtained and accurately extracted from publicly available data sources or other sources that are reasonably reliable. The Directors are of the view that such bases and assumptions are relevant and reasonable as far as the transaction is concerned. The Directors have also considered the report from the Company's reporting accountants as included in Appendix II to this circular. On the basis of the above, the Directors are of the opinion that the Valuation prepared by the Valuer has been made after due and careful enquiries.

6. BACKGROUND OF MGI, KOOLAN AND THE HEMATITE MINE

MGI is a company incorporated in Australia, the shares of which are listed on the Australian Securities Exchange. The MGI Group is an established producer of high quality, direct shipping grade iron ore products. The MGI Group has proven operating track records, established export facilities, a strong balance sheet, and an experienced management team to complement and grow its business as one of the major suppliers in the Asian steel industry.

LETTER FROM THE BOARD

Koolan and the Hematite Mine

Koolan is a company incorporated in Australia, the registered holder of the Hematite Mine and a wholly owned subsidiary of MGI. The Hematite Mine operation is situated at Koolan Island on the north coast of Western Australia. MGI acquired the Hematite Mine project in early 2007, and its exports from the Hematite Mine have reached 25 million metric tonnes.

However, the operations from the Main Pit at the Hematite Mine were suspended since November 2014 following a seawall failure which resulted in the pit flooding. In April 2017, following detailed evaluation work, MGI approved the rebuild of the main pit seawall at the Hematite Mine to resume high grade iron ore production. Following two years of redevelopment and refurbishment work at the Hematite Mine site, the first shipment of high grade iron ore sales from the Hematite Mine recommenced in late April 2019.

As disclosed in the announcement of MGI dated 20 April 2018, the latest proven and probable ore reserves estimate of the Hematite Mine is 21 million metric tonnes with an average iron grade of 65.5%. As further disclosed in the announcement of MGI dated 24 April 2019, MGI has recommenced the sales of high grade iron ores derived from the Hematite Mine which are scheduled to be mined over the next 5.5 years. Since the date of publication of the above announcement and up to the Latest Practicable Date, no event which may constitute or result in any material adverse change in relation to the Hematite Mine or its operations has been announced or disclosed by MGI or otherwise come to the attention of the Directors.

The high grade and quality of direct shipping hematite iron ores from the Hematite Mine shall be well suited to the China market with increasing focus on high quality inputs to enhance the steel manufacturing productivity and mitigate the environmental impacts, and shall provide the Group with a stable and sustainable product supply to grow the Trading Business (as defined below) and create values to the Shareholders in the long run.

7. REASONS FOR AND BENEFITS OF THE CONNECTED TRANSACTION

In the second half of 2016, the Group started its trading business which initially primarily involved the supply and sales of iron ores. The trading business has developed into the major revenue contributor of the Group over the years. During the year ended 31 December 2018, the Group recorded revenue of approximately RMB312.4 million from the supply and trading of iron ores and coals (the “**Trading Business**”). To sustain and further promote the growth of the Trading Business, the management of the Group has been liaising with leading enterprises in the iron ore industry about the possibility of long-term business cooperation, so as to pave way for the Group’s long-term development.

LETTER FROM THE BOARD

In 2018, the Group has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the Trading Business with quality, sustainable and stable product supply. The Group has endeavoured to secure the supply of iron ores from the MGI Group at competitive market prices. Iron ores derived from Australian mines are highly endorsed in the market for their quality and are especially sought-after among the trading-arms of steel mills and state-owned enterprises in the PRC. According to the market updates reported by certain international news agencies in articles published in April 2018 regarding the future demand for Australian iron ore and in January 2019 regarding the forecast export volumes and prices of coal and iron ore respectively, the demand for Australian-sourced iron ores remains as strong as ever; in particular, the PRC is the end destination for most of the Australian-sourced iron ore exports in 2018 and early 2019.

Since the first half of 2017, the Group has started doing businesses with the MGI Group through the sourcing of hematite ore on an individual contract basis. Capitalising on the mutual trust established with the MGI Group, the Group entered into the Assignment and Novation Agreement and the Novation Deed so as to secure the continual supply of hematite ore at competitive prices, which are to be determined based on the agreed market pricing formulae set out above taking into account the relevant benchmark prices and indexes commonly adopted and perceived to be of authoritative and reference value published from time to time by the recognised institutions in the iron ore industry, and an agreed percentage discount. Pursuant to the offtake arrangements contemplated under the Restated Long Term Hematite Supply Agreement, not only will the Group be able to cement its amicable long-term relationship with the MGI Group, but the Group can also secure the supply of Australian-sourced iron ores in the event of any surge in future demand and/or market prices and be assured of their stable supply with quality. As such, the Group will be poised to capture the business opportunities amid the popularity of Australian-sourced iron ores in the market.

As stated in research report on the commodities market outlook for the second quarter of 2019 covering iron ore, coal and other commodities issued by an investment bank in April 2019 (the “**Research Report**”), the tragedy in an iron mine in Brazil in early 2019 has triggered major short-term losses in mining production and sharp narrowing of price differentials from low-grade to high-grade iron ores. The global iron ore market is presently losing a huge volume of Brazilian supplies with unclear restart timeline and Australian supplies have been hampered by recent shipment disruptions with key ports being hit by cyclones. It is believed that the Brazilian iron ore exports will inevitably drop in 2019 due to major supply interruptions resulting in the pricing for all iron ore products to increase with more upside to come in the future. The high iron ore prices could also be supported in the medium to long term by the acceleration in Chinese economic growth and the associated continual fixed-asset investments, as well as more supply disruptions and less iron mining project commissioning in the markets.

LETTER FROM THE BOARD

As stated in the Research Report, steel demand in China has also shown a seasonal rebound in the near term, and is expected to remain solid with Chinese construction activities beating expectations. Also, Chinese steel prices have risen materially since 2017 which supported the overall recovery and general increase in the prices of iron ores. However, the actual environmental policy enforcement beyond the winter period remains uncertain and any extended curtailments in steel production capacity will effectively tighten steel supply and affect iron ore demand. Recent steel mills' preference for high iron grade and low impurities content shall benefit the Group's products to be derived from the Hematite Mine. The major decline of mining capital expenditures during past few years and intensified environmental restrictions will likely cap the local iron ore supply growth in China, which shall also be advantageous for the import of iron ores offered by the Group.

The terms and conditions of the Assignment and Novation Agreement were negotiated between the parties to it on an arm's length basis. The Directors are of the view that the terms and conditions of the Assignment and Novation Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Except for Mr. Chong Tin Lung, Benny ("**Mr. Chong**"), an executive Director of the Company, who is also a director of VMSIG and the son of Ms. Mak Siu Hang, Viola, the beneficial owner of VMSIG, none of the Directors has or is deemed to have a material interest in the Assignment and Novation Agreement, the Novation Deed, the Deed of Guarantee and Indemnity and the Restated Long Term Hematite Supply Agreement and the transactions contemplated thereunder. Mr. Chong has abstained from voting on the relevant resolutions at the Board meeting in accordance with the Articles of Association of the Company.

LETTER FROM THE BOARD

8. IMPLICATIONS UNDER THE LISTING RULES

The Company is an investment holding company. The Group is principally engaged in the supply and trading of iron ores and coals and the mining, processing and sale of iron concentrates and gabbro-diabase and stone products.

Shougang Concord International is an investment holding company. Shougang Concord International and its subsidiaries mainly focus on the management and operations of car parking assets and management of private funds that are oriented towards urban redevelopment.

As at the Latest Practicable Date, Shougang Concord International was controlled as to an aggregate of approximately 46.06% by Shougang Group through its subsidiaries, and Shougang Group was a substantial Shareholder indirectly holding an aggregate of approximately 27.46% of the total number of Shares in issue through its subsidiaries Shougang Hong Kong, Lord Fortune and Plus All. As such, Shougang Concord International and SCIT, being an indirect wholly owned subsidiary of Shougang Concord International, were each an associate of Shougang Group and a connected person of the Company under the Listing Rules, and the transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Chapter 14A of the Listing Rules) exceed(s) 5% and the Consideration exceeds HK\$10 million, the connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder but excluding the financial assistance by VMSIG to the Company under the Deed of Guarantee and Indemnity as aforesaid) is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders in respect of the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) at the EGM. In accordance with the Listing Rules, the voting at the EGM will be taken by poll. Shougang Group, Shougang Hong Kong, Lord Fortune, Plus All, VMSIG, Fast Fortune, and their respective associates, and all other Shareholders with a material interest in the non-exempted connected transaction contemplated under the Assignment and Novation Agreement are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Assignment and Novation Agreement and the connected transaction contemplated thereunder.

LETTER FROM THE BOARD

The Company has established the Independent Board Committee comprising all the three independent non-executive Directors to advise the Independent Shareholders as to whether the terms and conditions of the Assignment and Novation Agreement are fair and reasonable, whether the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote at the EGM in respect of the non-exempted connected transaction contemplated under the Assignment and Novation Agreement, after taking into account the recommendations of the IFA. The Company has appointed Halcyon Capital Limited as the IFA to advise the Independent Board Committee and the Independent Shareholders as to the foregoing matters.

9. EGM

The Company will convene the EGM at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong at 11:45 a.m. on Wednesday, 24 July 2019 for the Independent Shareholders to, among others, consider and, if thought fit, approve the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder). A notice of the EGM is set out on pages 66 to 68 of this circular.

Pursuant to rule 13.39 of the Listing Rules, the resolution to be proposed at the EGM will be taken by poll, the results of which will be announced after the EGM.

Shougang Group, Shougang Hong Kong, Lord Fortune, Plus All, VMSIG, Fast Fortune, and their respective associates, and all other Shareholders with a material interest in the non-exempted connected transaction contemplated under the Assignment and Novation Agreement are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Assignment and Novation Agreement and the connected transaction contemplated thereunder.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, Shougang Group, Shougang Hong Kong, Lord Fortune and Plus All held an aggregate of 1,098,570,000 Shares, and VMSIG and Fast Fortune held an aggregate of 1,149,744,000 Shares, representing approximately 27.46% and 28.74% of the total number of Shares in issue as at the Latest Practicable Date respectively.

A form of proxy for use at the EGM is also enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event no later than 48 hours before the time for the EGM (i.e. at or before 11:45 a.m. on Monday, 22 July 2019 (Hong Kong time)) or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of such meeting should you so wish and in such event, the proxy form previously submitted shall be deemed to be revoked.

LETTER FROM THE BOARD

10. RECOMMENDATION

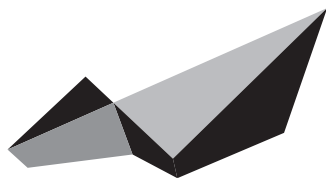
The Board considers that the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the relevant resolution in the terms as set out in the notice of the EGM.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular which contains its advice to the Independent Shareholders in connection with the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder, the letter from the IFA set out on pages 25 to 46 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in connection with the foregoing matters and the principal factors and reasons taken into consideration in arriving at its advice, and the additional information set out in the Appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

8 July 2019

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

ASSIGNMENT AND NOVATION AGREEMENT IN RELATION TO THE LONG TERM HEMATITE SUPPLY AGREEMENT

We refer to the circular issued by the Company to the Shareholders and dated 8 July 2019 (“**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Under the Listing Rules, the transaction contemplated under the Assignment and Novation Agreement constitutes a connected transaction of the Company and is subject to the approval of the Independent Shareholders, among others. We have been appointed by the Board to consider the terms of the Assignment and Novation Agreement and to advise the Independent Shareholders in connection with the non-exempted connected transaction contemplated thereunder as to whether, in our opinion, the terms and conditions of the Assignment and Novation Agreement are fair and reasonable, whether the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how the Independent Shareholders should vote at the EGM, after taking into account the recommendations of the IFA. Halcyon Capital Limited has been appointed as the IFA to advise us and the Independent Shareholders in relation to the non-exempted connected transaction contemplated under the Assignment and Novation Agreement.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board and the letter from the IFA as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, the IFA as set out in its letter of advice, we consider that the terms and conditions of the Assignment and Novation Agreement are fair and reasonable. We also consider that the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder) is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder.

Yours faithfully,
For and on behalf of

Independent Board Committee

Tsui King Fai

Lee Kwan Hung

Shin Yick, Fabian

Independent non-executive Directors

LETTER FROM THE IFA

The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.



11/F, 8 Wyndham Street
Central
Hong Kong

8 July 2019

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**CONNECTED TRANSACTION –
ASSIGNMENT AND NOVATION AGREEMENT
IN RELATION TO
THE LONG TERM HEMATITE SUPPLY AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the non-exempted connected transaction contemplated under the Assignment and Novation Agreement in relation to the Long Term Hematite Supply Agreement with Shougang Concord International, details of which are set out in the letter from the Board contained in the circular of the Company dated 8 July 2019 (the “Circular”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

As at the Latest Practicable Date, Shougang Concord International is controlled as to an aggregate of approximately 46.06% by Shougang Group through its subsidiaries, and Shougang Group is a substantial shareholder of the Company indirectly holding an aggregate of approximately 27.46% of the total number of Shares in issue through its subsidiaries Shougang Hong Kong, Lord Forture and Plus All. As such, Shougang Concord International and SCIT, being an indirect wholly owned subsidiary of Shougang Concord International, are therefore associates of Shougang Group and connected persons of the Company under the Listing Rules, and the transactions contemplated under the Assignment and Novation Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Chapter 14A of the Listing Rules) exceed(s) 5% and the Consideration exceeds HK\$10 million, the non-exempted connected transaction contemplated under the Assignment and Novation Agreement is subject to the announcement, circular, Independent Shareholders’ approval and reporting requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE IFA

In accordance with the Listing Rules, the voting at the EGM will be taken by poll. Shougang Group, Shougang Hong Kong, Lord Fortune, Plus All, VMSIG, Fast Fortune, and their respective associates, and all other Shareholders with a material interest in the connected transaction contemplated under the Assignment and Novation Agreement are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Assignment and Novation Agreement and the non-exempted connected transaction contemplated thereunder.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tsui King Fai, Mr. Lee Kwan Hung and Mr. Shin Yick, Fabian has been established to advise the Independent Shareholders as to whether the terms and conditions of the Assignment and Novation Agreement are fair and reasonable, whether the connected transaction contemplated thereunder is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote at the EGM in respect of the connected transaction contemplated thereunder. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the non-exempted connected transaction contemplated under the Assignment and Novation Agreement.

In the last two years from the date of our appointment, we have no relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid to us in connection with our appointments, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transaction. We are therefore independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the non-exempted connected transaction contemplated under the Assignment and Novation Agreement.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 31 May 2019 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the Directors and/or management of the Company. We have been advised by the Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

LETTER FROM THE IFA

Our review and analyses were based upon, among others, the information provided by the Company including the Assignment and Novation Agreement and certain published information from both Hong Kong and overseas public domains. We have also discussed with the management of the Company with respect to the terms of and reasons for the transactions contemplated under the Assignment and Novation Agreement and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, existence, operation and conditions of the resources, financial position or prospects of the Group, Shougang Concord International, MGI Group (including Koolan), and each of their respective associates, and the parties involved in the transactions contemplated under Assignment and Novation Agreement as well as the Hematite Mine.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendations in respect of the transactions contemplated under the Assignment and Novation Agreement, we have considered the following principal factors and reasons:

I. Information of the Group

The Company is an investment holding company incorporated in the Cayman Islands with limited liabilities. The Group is principally engaged in the supply and trading of iron ores and coals and the mining, processing and sale of iron concentrates and gabbro-diabase and stone products.

Pursuant to the Group's 2018 Annual Report, while the Group is still taking persistent efforts to renew Yanjiazhuang Mine's mining right, the Group's revenue was mainly derived from its' trading business. Suffering from fierce market competition, the Group's revenue decreased from approximately RMB646.5 million for the year ended 31 December 2017 to approximately RMB318.1 million for the year ended 31 December 2018. Throughout the year, the Group's management team has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to develop the Group's trading business with quality, sustainable and stable product supply. The Group had been looking for and evaluating mining and resources projects with potentials to enrich the Group's business portfolio, enhance its income stream and maintain its sustainable development.

In 2018, the Group's management has been focusing its effort on securing the supply of iron ores from Australian mines and its long term suppliers with major products coming from Australia. The Australian iron ores remained the Group's primary products for the trading business during 2018 which are well accepted by the customers, mainly comprised of the trading arms of steel mills and certain state-owned enterprises.

LETTER FROM THE IFA

Contributed by the substantial decrease in revenue of the Group (with reasons explained above) together with recognising impairment losses on property, plant and equipment amounted to approximately RMB59.1 million, the Group recorded an increase in loss for the year from a loss of approximately RMB47.4 million for the year ended 31 December 2017 to a loss of approximately RMB107.6 million for the year ended 31 December 2018.

Assets of the Group as at 31 December 2018 mainly comprised of property, plant and equipment amounted to approximately RMB203.5 million, restricted bank balances amounted to approximately RMB219.1 million and cash and cash equivalents amounted to approximately RMB98.0 million. Liabilities of the Group mainly comprised of an interest-bearing bank borrowing and other current financial liabilities amounted to approximately RMB219.1 million and approximately RMB84.2 million respectively.

II. Information of Shougang Concord International

Shougang Concord International is a company incorporated in Hong Kong, the shares of which are listed on the main board of the Stock Exchange. Its controlling shareholder, Shougang Group, is a state-owned enterprise in the PRC and a substantial shareholder of the Company.

According to the annual report of Shougang Concord International, principal business of Shougang Concord International includes parking business; urban renewal fund management business; iron ore trading business and other shareholdings in listed companies including Shougang Fushan Resources Group Limited and Shougang Concord Century Holdings Limited.

Pursuant to the annual report of Shougang Concord International, in 2018, sales volume of iron ore in trading business of Shougang Concord International was approximately 2.93 million tonnes, representing a decrease of 60.3% when comparing to last year, and the selling price decreased by 1.8% to US\$65.4 per tonne. Shougang Concord International recorded revenue of approximately HK\$1,500 million for its iron ore trading business, representing a decrease of 60.6% when comparing to last year. Although the revenue decreased, the gross profit increased significantly and the gross profit margin increased from the 0.2% for 2017 to 3.5% for 2018. The segment profit of Shougang Concord International's iron ore trading business amounted to HK\$44 million, as compared with the segment loss of HK\$20 million for 2017. The increase in net profit of Shougang Concord International's trading business was mainly due to the increase of gross profit margin of the trading business and the reversal of provision of impairment loss in trade receivables of the Shougang Concord International's trading segment. Despite the contribution from iron ore trading business of Shougang Concord International recorded an improvement in 2018, given the iron ore trading business has no strategic synergy with other principal businesses of Shougang Concord International, it is intended that Shougang Concord International will continue to reduce its' iron ore trading volume and in 2019, the Shougang Concord International will further reduce and control the scale of iron ore trading business, and focus more on the car parking assets operation and management and urban renewal-oriented fund management business.

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III. Information of MGI and Koolan

MGI is a company incorporated in Australia and the shares of which are listed on the Australian Securities Exchange. MGI is an independent Australian producer of high quality direct shipping grade iron ore products, with assets in the Kimberley and Mid-West regions of Western Australia.

Koolan is a company incorporated in Australia, the registered holder of the Hematite Mine and a wholly owned subsidiary of MGI. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, MGI Group (including Koolan) and their ultimate beneficial owners are Independent Third Parties.

IV. The Assignment and Novation Agreement and the Restated Long Term Hematite Supply Agreement

1. *Background to and reasons for entering into the Assignment and Novation Agreement*

In the second half of 2016, the Group started its trading business which initially primarily involved the supply and sales of iron ores. The trading business has developed into the major revenue contributor of the Group over the years. During the year ended 31 December 2018, the Group recorded revenue of approximately RMB312.4 million from the supply and trading of iron ores and coals. To sustain and further promote the growth of the trading business, the management of the Group has been liaising with leading enterprises in the iron ore industry about the possibility of long-term business cooperation, so as to pave way for the Group's long-term development.

Since the first half of 2017, the Group has started doing businesses with the MGI Group through the sourcing of hematite ore on an individual contract basis.

In 2018, the Group has been actively seeking opportunities to expand the supplier network and secure the long term supply of iron ores and other commodities from overseas mines with a view to developing the trading business of the Group with quality, sustainable and stable product supply. The Group has endeavoured to secure the supply of iron ores from the MGI Group at competitive market prices as iron ores derived from Australian mines are highly endorsed in the market for their quality and are especially sought-after among the trading-arms of steel mills and state-owned enterprises in the PRC.

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Capitalising on the mutual trust established with the MGI Group, the Group entered into the Assignment and Novation Agreement and the Novation Deed so as to secure the continual supply of hematite ore at competitive prices.

Pursuant to the offtake arrangements contemplated under the Restated Long Term Hematite Supply Agreement, not only will the Group be able to cement its amicable long-term relationship with the MGI Group, but the Group can also secure the supply of Australian sourced iron ores in the event of any surge in future demand and/or market prices and be assured of their stable supply with quality. As such, the Group will be poised to capture the business opportunities amid the popularity of Australian-sourced iron ores in the market.

2. *The iron ore market*

Pursuant to the data from Bloomberg, since the beginning of 2019, the market price of iron ore has surged from US\$72.24 to US\$101.81 as of 31 May 2019 of which according to relevant reports from Reuters and Bloomberg was mainly due to (i) strong Chinese demand; and (ii) supply shortfall from Brazil, the major supplier of the iron ore.

According to relevant reports from Bloomberg and Reuters, the forecast benchmark price has been rising recently as PRC steel consumption has surprisingly been on the upside, while supply was still on the downside. Furthermore, as a result of Vale S.A., one of the largest mining companies in the world, halted production in ten sites after the collapse of the dam in Brazil in 2019 and the publication of new regulation by Brazilian government in 2018, which prohibits certain ways in construction of tailings dams and therefore created difficulty in iron ore mining, would also impact the long term supply of iron ore from Brazil.

In view of the above and taking into consideration of the price trend of iron ore in 2019 up to the Latest Practicable Date, we concur with the Directors that, the entering into of the Assignment and Novation Agreement, the Novation Deed and the Restated Long Term Hematite Supply Agreement would enable the Group to secure the supply of Australian sourced iron ores in the event of any surge in future demand and/or market prices.

3. *Information of the Hematite Mine*

The Hematite Mine operation is situated at Koolan Island on the north coast of Western Australia. MGI acquired the Hematite Mine project in early 2007, and its exports from the Hematite Mine have reached 25 million metric tonnes. According to information published by MGI, Koolan iron ore is very high quality and low in impurities.

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However, the operations from the Main Pit at the Hematite Mine were suspended since November 2014 following a seawall failure which resulted in the pit flooding. In April 2017, following detailed evaluation work, MGI approved the rebuild of the main pit seawall at the Hematite Mine to resume high grade iron ore production. Following two years of redevelopment and refurbishment work at the Hematite Mine site, MGI has resumed the first shipment of high grade iron ore in April 2019.

Sales of iron ore had commenced since April 2019 and the Group via purchasing from SCIT acquired iron ore from the Hematite Mine and had subsequently sold such iron ore at a net price of over US\$90 per dry metric tonne.

4. *The Assignment and Novation Agreement*

Set out below are the key terms and conditions of the Assignment and Novation Agreement:

Parties: Shougang Concord International and the Company

Date: 31 May 2019

Subject matter: Shougang Concord International shall assign and novate and, procure SCIT to assign and novate their respective Rights and Obligations under the Long Term Hematite Supply Agreement to the Company and Ace Profit respectively. Such assignment and novation shall be effected by way of the execution of the conditional Novation Deed by all the parties to the Long Term Hematite Supply Agreement (namely MGI, Koolan, Shougang Concord International and SCIT), the Company and Ace Profit on the date of the Assignment and Novation Agreement.

Consideration: The Consideration for the assignment and novation of the Rights and Obligations under the Long Term Hematite Supply Agreement payable by the Company to Shougang Concord International shall be an aggregate amount of HK\$150,000,000, among which:

- (1) HK\$100,000,000 shall be paid on the Completion Date; and

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- (2) HK\$50,000,000 shall be paid on or before 31 December 2019 (the “Second Instalment”), provided that if, after the Completion Date, the production activities at the Hematite Mine are suspended or ceased for a continuous period of two months or more and as at 31 December 2019 (other than any suspension or cessation caused by any act, omission or default of the Company, Ace Profit and/or any of their respective affiliates), (i) such production activities have not resumed; or (ii) such production activities have resumed but have not been operated on a full-scale basis for at least two consecutive months after the resumption date, the due date of the Second Instalment shall be postponed to the date falling two months after such production activities have resumed and continued at the Hematite Mine on a full scale basis for two consecutive months. For the purpose of the foregoing, the production activities at the Hematite Mine shall be deemed to be operated on a full-scale basis if, for the consecutive two month period, Koolan has completed the delivery of at least five shipments of hematite ore to Ace Profit pursuant to the Restated Long Term Hematite Supply Agreement.

Adjustment clause:

Where, during the period commencing on the date of the Assignment and Novation Agreement and ending on 31 December 2020, the amount of hematite ore which is available for derivation from the Hematite Mine falls below 17 million metric tonnes (estimated based on 80% of the proven and probable ore reserves information of the Hematite Mine as publicly announced or disclosed by MGI from time to time), the Company may give written notice (the “Adjustment Notice”) to Shougang Concord International, whereby the Consideration shall be deemed to be proportionally reduced according to the shortfall of the amount of hematite ore that can be supplied to Ace Profit under the Restated Long Term Hematite Supply Agreement on a dollar-to-dollar basis by the amount determined based on the following formula (the “Adjustment Amount”):

$$\text{Adjustment Amount} = P \times S$$

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where

“P” shall be HK\$8.82/metric tonne, being the Consideration divided by 17 million metric tonnes. The 17 million metric tonnes represent the latest proven and probable ore reserves estimate of the Hematite Mine as disclosed in the announcement of MGI dated 20 April 2018, i.e. approximately 21 million metric tonnes, multiplied by the agreed rate of supply as stated in the Restated Long Term Hematite Supply Agreement, i.e. 80%. The value of P represents the consideration per metric tonne paid or payable by the Company to Shougang Concord International for the assignment and novation of the Rights and Obligations; and

“S” shall be the difference between the volume of hematite ore that Koolan will be able to supply to Ace Profit under the Restated Long Term Hematite Supply Agreement during the term thereof (in metric tonnes) and 17 million metric tonnes, provided that no such adjustment will be made if S is equal to or less than 0.85 million metric tonnes.

To the extent that any portion of the Second Instalment payable by the Company to Shougang Concord International has not been paid under the terms of the Assignment and Novation Agreement, the Adjustment Amount shall first be applied to reduce such portion of the Second Instalment, and to the extent that there is any balance of the Adjustment Amount remaining, Shougang Concord International shall pay to the Company such balance within one month after the date of the Adjustment Notice. Where the Second Instalment has been paid in full by the Company, Shougang Concord International shall refund the full amount of the Adjustment Amount to the Company within one month after the date of the Adjustment Notice.

The payment of the Consideration will be funded by the internal resources and/or borrowings of the Group.

Conditions Precedent:

- 1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Assignment and Novation Agreement having been obtained by Shougang Concord International, the Company and MGI and remaining in full force and effect;

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- 2) all necessary approvals (if any) by the Shareholders and the shareholders of MGI as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Assignment and Novation Agreement and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- 3) the Novation Deed having become unconditional in all respects in accordance with its terms;
- 4) no order or judgment (whether temporary, preliminary or permanent) of any relevant governmental authority or under any applicable law or regulation which has the effect of making it unlawful for any party to complete, or otherwise prohibiting or restricting or limiting any party from completing any transaction contemplated under the Assignment and Novation Agreement having been issued or made prior to the Completion;
- 5) Shougang Concord International's warranties (except for those warranties which are expressly made in respect of matters as at dates other than the Completion Date, in which case such warranties shall be true and accurate in all respects and not misleading in any respect as at such dates) remaining true and accurate in all respects and not misleading in any respect as at the Completion Date;
- 6) the Company's warranties remaining true and accurate in all respects and not misleading in any respect as at the Completion Date; and
- 7) the resumption of the production activities at the Hematite Mine (as supported by certain shipping and sailing schedules and the relevant written confirmation of laydays given by Koolan to SCIT and the relevant written approval or written notice of alternative schedule given by SCIT to Koolan in accordance with the provisions of the Long Term Hematite Supply Agreement).

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At any time before the Long Stop Date, the Company may at its discretion waive (in whole or in part, whether conditionally or unconditionally) in writing condition 5) above, and Shougang Concord International may at its discretion waive (in whole or in part, whether conditionally or unconditionally) in writing condition 6) above. All other conditions as set out above may not be waived or varied at the option of either party. If any of the conditions set out above is not fulfilled or, as the case may be, waived at or before 12:00 noon on the Long Stop Date, then (without prejudice to any other remedy available to the other party) the obligations of the parties shall cease and determine forthwith and neither party shall have any claim under the Assignment and Novation Agreement against the other save in respect of any antecedent breach thereof.

As at the Latest Practicable Date, conditions 1) and 7) above had been fulfilled.

Completion:

Subject to fulfilment or waiver (as the case may be) of the conditions set out in the paragraph headed “Conditions Precedent” above, the Completion shall take place at 10:00 a.m. on the Completion Date, being the 10th business day after the last condition precedent is satisfied or waived in accordance with the Assignment and Novation Agreement, or such other date as the parties may agree in writing.

The Consideration was determined after arm’s length negotiations among the parties to the Assignment and Novation Agreement taking into account, among others, the total estimated amount of proved and probable ore reserves of 21 million metric tonnes and expected average iron grade of 65.5% of the Hematite Mine as disclosed by MGI in its public announcements and projected production plan, the price offered by Koolan for the supply of hematite ore to be derived from the Hematite Mine under the Restated Long Term Hematite Supply Agreement, and the value of the Rights and Obligations as at 31 March 2019 as appraised by the Independent Valuer (as defined below) at HK\$150 million using the discounted cash flow method based on among others, the above factors. Furthermore, on the basis of the above and given the mechanisms under which the payment of the Second Instalment may be deferred in the event of a suspension of two months or longer in the production activities at the Hematite Mine after the Completion Date and the Consideration may be proportionally reduced on a dollar-to-dollar basis where the amount of hematite ore available for derivation from the Hematite Mine falls below the expected level during the period commencing on the date of the Assignment and Novation Agreement and up to 31 December 2020. The Directors consider the Consideration (including the formula for determining the Adjustment Amount) to be fair and reasonable. For details regarding the valuation of the Rights and Obligations as at 31 March 2019, please refer to the section headed below “Valuation of Rights and Obligations under the Restated Long Term Hematite Supply Agreement”.

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5. *Terms of the Novation Deed*

On the date of the Assignment and Novation Agreement, the Company and Ace Profit have entered into the conditional Novation Deed with Shougang Concord International and SCIT and the other parties to the Long Term Hematite Supply Agreement, namely MGI and Koolan, to effectuate the novation of the Rights and Obligations contemplated under the Assignment and Novation Agreement, as well as the amendment and restatement of the Long Term Hematite Supply Agreement. Completion shall be conditional upon, among others, the Novation Deed having become unconditional in all respect in accordance with its terms.

- 1) all necessary approvals, consents, clearance and waivers (if any) as may be required under the Listing Rules and/or any other applicable law, rule or regulation for the consummation of the transactions contemplated under the Novation Deed having been obtained by Shougang Concord International and the Company and remaining in full force and effect;
- 2) all necessary approvals (if any) by the shareholders of Shougang Concord International and the Shareholders as may be required under the Listing Rules and/or any other applicable law, rule or regulation in respect of the Novation Deed and the transactions contemplated thereunder having been granted and remaining in full force and effect;
- 3) Koolan having received from VMSIG one counterpart of the Deed of Guarantee and Indemnity duly executed by it contemporaneously with the execution of the Novation Deed; and
- 4) Koolan having received a legal opinion reasonably acceptable to Koolan in relation to the execution by the parties to the Novation Deed (other than MGI and Koolan) and the enforceability of the Novation Deed and the Deed of Guarantee and Indemnity as Koolan reasonably requires.

Conditions 3) and 4) above may be waived by Koolan and MGI in writing. All other conditions cannot be waived or varied by any of the parties. Any party may by notice to the other parties terminate the Novation Deed at any time if any of conditions 1) to 2) above is not satisfied within 90 days of the date of the execution thereof, or in the case of condition (4), not satisfied or waived within 14 days of the date of execution of the Novation Deed.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, conditions 1), 3) and 4) above had been fulfilled.

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6. *Terms of the Restated Long Term Hematite Supply Agreement*

In accordance with the provisions of the Novation Deed, with effect from the Effective Time, the respective Rights and Obligations of Shougang Concord International and SCIT shall be novated to the Company and Ace Profit respectively, and the terms and conditions of the Long Term Hematite Supply Agreement shall be amended and restated in the form set out in the schedule thereto.

Under the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase hematite ore 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, where the price should be determined based on (i) the relevant benchmark prices and indexes of hematite ore published by S&P Global Platts, an independent provider of information, benchmark prices and analytics for the energy and commodities markets, from time to time taking into account the quality of hematite ore; (ii) the pricing adjustment factor for hematite ore which does not conform to the designated physical and chemical specifications; (iii) freight cost; and (iv) marketing commission saving (which represents a percentage discount to the unit purchase price) over the period from the Effective Time to the date of permanent cessation of Koolan's mining operations at the Hematite Mine.

Koolan shall not enter into any further offtake agreements for the sale of hematite ore derived from the Hematite Mine which, at any point in time during the term of the Restated Long Term Hematite Supply Agreement, forms its available production and the subject matter of the Restated Long Term Hematite Supply Agreement without first obtaining the written consent of Ace Profit which it may give at its sole discretion, unless specifically provided for in the Restated Long Term Hematite Supply Agreement, such that the proportion of total output of hematite ore derived from the Hematite Mine which Ace Profit receives under the Restated Long Term Hematite Supply Agreement in any contract year shall not decrease in any subsequent contract year. The Company, as the guarantor, shall unconditionally and irrevocably guarantee to Koolan the compliance of Ace Profit, as the buyer, with its obligations in connection with the Restated Long Term Hematite Supply Agreement.

7. *Valuation of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement*

D&P China (HK) Limited, the professional valuer ("Independent Valuer") has been appointed to perform the independent professional valuation on the Rights and Obligations under Restated Long Term Hematite Supply Agreement.

To assess the fairness and reasonableness of the Consideration, we have also reviewed the Valuation Report and discussed with the Independent Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation (as defined below).

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Based on the Valuation Report, we noted that the Independent Valuer, after considering various valuation methods (including market approach, cost approach and income approach), has adopted income approach for the valuation and such valuation methodology is considered as commonly adopted in valuing nature resources supply agreement. According to the Valuation Report, while useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business realised under the Restated Long Term Hematite Supply Agreement. Moreover, there are no comparable agreements in the market with observable prices. Thus, both cost and market approach are not utilised in the valuation. In forming their opinion, the Independent Valuer solely relied upon the income approach to determine the market value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement. Given, the Group will be entitled to 80% of the future output of the production volume of Hematite Mine of which applying cost approach will not be appropriate and there are no other comparable agreements in the market with observable prices, we concur with the Independent Valuer that both cost approach and market approach should not be utilised in the valuation.

Furthermore, we have reviewed the key assumptions adopted by the Independent Valuer adopted in the income approach valuation and discussed with the Independent Valuer regarding the reasons for adoption of such assumptions to arrive at the Valuation. Set out below are the key assumptions adopted by the Independent Valuer:

(i) Revenue

The estimated revenue was based on the volume of iron ore to be derived from Hematite Mine by Koolan times estimated unit price.

a. Volume

The volume of iron ore to be offtaken was calculated with reference to the projected production plan as extracted from the investor presentation of MGI published in February 2019 as well as shipment schedule in 2019 of MGI, and taking into consideration the intended completion date of the Assignment and Novation Agreement. As announced by MGI on 24 April 2019, the Hematite Mine has ore reserves totalling 21 million tonnes of an average iron grade of 65.5% scheduled to be mined over the next 5.5 years and since the date of publication of the above announcement and up to the Latest Practicable Date, no event which may constitute or result in any material adverse change in relation to the Hematite Mine or its operations has been further announced or disclosed by MGI or otherwise come to the attention of the Directors.

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Taking into consideration 80% of the production volume from MGI which will be supplied under the Restated Long Term Hematite Supply Agreement and considering the shipment schedule of MGI Group commencing from July 2019 (assuming Completion will take place in July 2019) the total volume estimated to be subject to the Restated Long Term Hematite Supply Agreement would be approximately 16.7 million wet metric tonnes.

Given the Assignment and Novation Agreement stipulated with terms for compensation, should the volume falls below the expected output from the Hematite Mine, we consider referring to the production schedule of MGI Group in estimating the offtake volume to be acceptable.

We would however also like to draw your attention that, the actual output volume of iron ore from the Hematite Mine will be affected by factors, including but not limited to, (i) the operating performance of the Hematite Mine; (ii) weather conditions; and (iii) the occurrence of any unforeseen circumstances (including but not limited to seawall failure or flooding). We consider such factors described above were inherent risks of the mining industry and in general would be applicable to any investment in the natural resources sector.

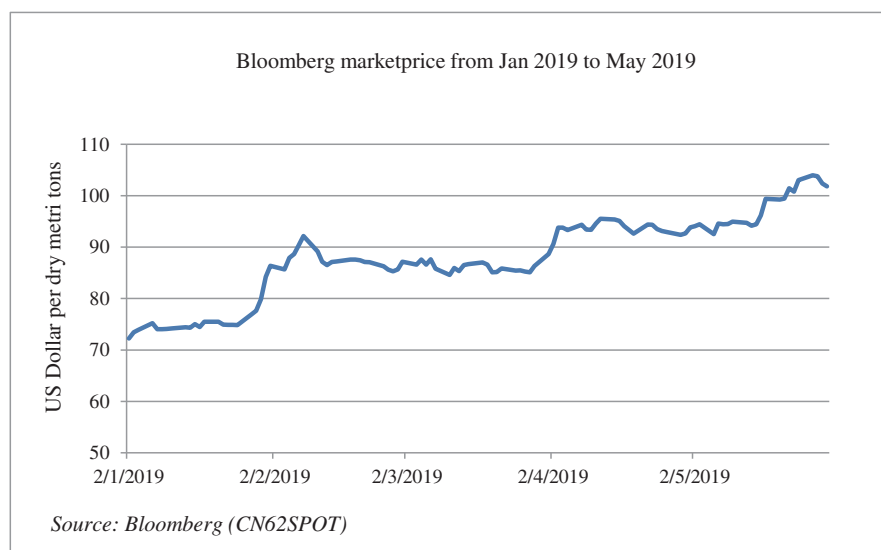
b. Iron ore price

Pricing of iron ore as stipulated in the Restated Long Term Hematite Supply Agreement would be based on the prevailing agreed price formulae, and delivered and sold to the PRC market at the forecasted iron ore prices with the estimated iron quality of 65% with reference to (i) the relevant benchmark prices and indexes, i.e. the Platts iron ore indexes published by S&P Global Platts, an independent provider of information, benchmark prices and analytics for the energy and commodities markets, from time to time, taking into account the quality of hematite ore; (ii) the pricing adjustment factor for hematite ore which does not conform to the designated physical and chemical specifications; (iii) freight cost; and (iv) marketing commission saving, (which represents a percentage discount to the unit purchase price) over the period from the Effective Time to the date of permanent cessation of Koolan's mining operations at the Hematite Mine.

Estimated iron ore price for the year ending 31 December 2019 was estimated based on market price of iron ore as of 1 April 2019 of US\$89 per dry metric tonne. For the five years ending 31 December 2024, unit prices are estimated by regression. The Independent Valuer collected the historical daily price from Platts Index Price and Bloomberg for the period of four years up to 29 March, 2019. Regression was run with high statistical significance in terms of high level of correlation. The Independent Valuer then collected the forecast from Bloomberg which summarised the consensus estimates from investment bankers. By putting the Bloomberg forecast prices in the regression model, the future Platts Index Prices of the iron ore were constructed.

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We have reviewed the historical price of iron ore, set out in the chart below are the historical iron ore prices extracted from Bloomberg between 1 January 2019 up to the date of the Company's announcement for this connected transaction (the "Review Period"):



We noticed that the estimated prices adopted in the Valuation for 31 December 2019 are below the market iron ore prices since 2 April 2019 and the estimated prices adopted for the 5 years ending 31 December 2024 by the Regression model were all below the market prices during the Review Period. Given the price of iron ore will be affected by the then market conditions from time to time, we considered the recent market price will serve as a better price indicator which should have taken into account the latest market conditions. For reference only, we have also reviewed the annual average iron ore price from Bloomberg (CN62SPOT) between 2015 and 2018 and noted that the annual average iron ore price between 2015 and 2018 ranged from US\$54.1 per dry metric tonne to US\$71.0 per dry metric tonne.

We have also noted that since the recommencement of sales of iron ore from the Hematite Mine from April 2019, the Group in April 2019 via purchasing from SCIT, acquired iron ore from the Hematite Mine and had subsequently sold such iron ore at a net price over US\$90 per dry metric tonne, of which all estimated prices adopted in the Valuation for the years ending 31 December 2024 were all below such net price. In view of such we considered the estimated prices adopted in the Valuation to be acceptable.

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(ii) *Cost of revenue*

Cost of revenue, representing the cost of iron ore purchased, was derived by using the total revenue less the marketing commission saving (which represents a percentage discount to the unit purchase price) as stipulated in the Restated Long Term Hematite Supply Agreement. The other major costs and expenses also include the realisation of relevant portion of the Consideration, guarantee fee charged for financial guarantee pursuant to the relevant guarantee fee agreement and income tax expenses.

We noted from the Valuation that the cost of revenue and the estimated marketing commission saving (which represents a percentage discount to the unit purchase price) were calculated based on the terms of the Restated Long Term Hematite Supply Agreement while the realisation of relevant portion of the Consideration was calculated with reference to the estimated volume of output over the respective years. We also noted that the guarantee fee charged was based on the relevant guarantee fee agreement entered into by the Group and was determined after arm's length negotiations between both parties and income tax estimated in the Valuation was based on the estimated profit and prevailing income tax rate of Hong Kong.

Given the estimated cost of revenue was mostly based on contract terms entered into by the Group (for cost of iron ore purchased, marketing commission saving (which represents a percentage discount to the unit purchase price) and guarantee fee charged) and the estimated volume of output and latest prevailing tax rates of Hong Kong for tax expenses, we consider such estimation to be appropriate.

(iii) *Discount rate*

Income approach valuation involves discounting cash flow method of the business subject to valuation by applying appropriate discount rate. We note that the Independent Valuer has applied Capital Asset Pricing Model ("CAPM") to estimate the required rate of return on the equity of the Group. The Independent Valuer is of the view CAPM is considered to be a fair and commonly adopted approach in calculating the required rate of return on equity. We have noted from public domain in relation to valuation carried out by income approach, that CAPM calculation has been frequently applied in income approach valuation to calculate the required rate of return of equity and thus we considered that applying CAPM calculation is consistent with market practice in performing valuation by way of income approach.

As discussed with the Independent Valuer, in arriving at the discount rate, the Independent Valuer has taken into account a number of factors including but not limited to (a) risk free rate; (b) beta; (c) equity risk premium; and (d) small size risk premium and resulted in a required rate of return of approximately 11.0%, which has been applied in discounting the estimated cash flow of the Restated Long Term Hematite Supply Agreement.

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a. Risk free rate

According to the Independent Valuer, the risk free rate of 1.42% applied in the CAPM calculation was referenced to the yield-to-maturity of the government bond with the longest maturity in Hong Kong quoted from Bloomberg. We have discussed with the Independent Valuer in relation to the basis of making reference to the yield-to-maturity of the government bond with the longest maturity in Hong Kong as the “risk free” rate. We understand from the Independent Valuer that, government bonds are considered as available investments which are denominated Hong Kong Dollars with the least default risk thus represented a good reference of “risk free” rate. The reason behind applying the yield-to-maturity of the government bond with the longest maturity in Hong Kong was mainly due to the relatively long-term in nature of investment in Restated Long Term Hematite Supply Agreement as the remaining life of the Hematite Mine is expected to be up till 2024. Given, the long term in nature of the Restated Long Term Hematite Supply Agreement, we concur with the Independent Valuer that, yield-to-maturity of the government bond with the longest maturity in Hong Kong should be applied as risk free rate.

b. Beta

As discussed with the Independent Valuer, beta coefficient represented a measurement of the risk of a given security relative to that of the overall market. The beta was measured on 5 years monthly historical data of comparable companies (“Comparable Companies”) before the valuation date. For the purpose of selecting the Comparable Companies for the capital asset pricing model, we understand that the selection criteria had been focused on (i) companies engaged in the metal trading business (without owning any mine or mining operation) which contributes over 50% of total revenues in recent years; (ii) over 80% of the total revenue is generated from Hong Kong and PRC; and (iii) profit making.

Comparable Companies were selected for referencing to their beta coefficient, which is the risk of a given security relative to that of the overall market. To obtain a fair estimate, we understand from the Independent Valuer that companies engaging in the similar industry would provide a meaningful reference. In view of such, given over 95% of the Group’s revenue was generated from trading of iron ore, coal and stone product in Hong Kong and PRC, we consider comparable companies recording revenue generated from metal trading business of over 50% in the recent years with over 80% of revenue generated in Hong Kong and PRC in the recent years to be an appropriate benchmark and consider the above selection criteria to be acceptable.

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We noted from the relevant annual reports of the Comparable Companies in 2017 and 2018 that over 50% of revenue were generated from metal trading business in either of the year and in the past two financial years, 80% of the total revenue was generated from Hong Kong and PRC. Given, over 95% of the Group's revenue was generated from trading of iron ore, coal and stone product in Hong Kong and PRC, we consider the above selection criteria to be acceptable.

c. Equity risk premium

Pursuant to the Valuation Report, the estimated market equity risk premium is based on consideration of historical realized returns on equity investments over a risk-free rate as represented by 20-year government bonds, forward-looking equity risk premium estimates, and the relative volatility adjustment factor.

According to studies carried out by Duff & Phelps a 6.15% equity risk premium was considered to reasonably represent a consensus viewpoint of the U.S. market equity risk premium estimated. Additionally, a relative volatility adjustment factor of 1.3247 was incorporated to reflect the ratio between volatility of S&P 500 index and the volatility of Hong Kong market through Duff & Phelps proprietary research. We understand from the Independent Valuer, the calculation of equity risk premium had been adopted in various income approach valuation and such 6.15% equity risk premium would be re-measured on regular basis. In view of such proprietary research by Duff & Phelps had been generally adopted, we consider acceptable to refer to such proprietary research.

d. Small size risk premium

Pursuant to the Valuation Report, small size premium, which is often used in conjunction with the capital asset pricing model as many studies have shown that small capitalisation equity securities outperform large capitalisation equity securities, even after adjusting for the systematic risk (beta) of small stocks. These studies suggest that additional risk is related to small capitalisation equity securities beyond that explained by the capital asset pricing model. Although the betas tend to be greater than those of large capitalisation equity securities, they do not account for all the risks faced by investors in small equity securities. The small size risk premium was applied based on the "Micro cap" category pursuant to cost of capital navigator issued by Duff & Phelps. We understand from the Independent Valuer that, considering the current deal size to be less than US\$728 million, the deal size falls into the "Micro cap" category.

LETTER FROM THE IFA

For forming our opinion, we have also reviewed and enquired into (i) the terms of engagement of the Independent Valuer with the Company; (ii) the Independent Valuer's qualification and experience in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Independent Valuer for conducting the Valuation. From the engagement letter and based on our interview with the Independent Valuer, we are satisfied with the terms of engagement (including the scope of work) of the Independent Valuer as well as its qualification and experience for preparation of the Valuation Report. The Independent Valuer has confirmed that they are independent to the Group, Shougang Concord International and its subsidiaries, Koolan and MGI and their respective associates.

V. Possible financial effects of the Group

As advised by the management of the Group the entering into the Assignment and Novation Agreement would have the following potential financial effects of the Group:

Earnings

Upon Completion, the Restated Long Term Hematite Supply Agreement represents assets relating to commodity forward contracts and will be accounted for as an asset of the Group in the consolidated statement of financial position. Fair value of the Restated Long Term Hematite Supply Agreement will be based on the present value of future cash flows estimated in the valuation model and the fair value for the commodity forward contracts to purchase iron ore is established by using valuation techniques. The Group will appoint an independent professional valuer to determine the fair value of the Restated Long Term Hematite Supply Agreement and any changes in fair value will be recognised in the consolidated statement of profit or loss and other comprehensive income of the Group in the relevant financial years.

Upon sales of any iron ore derived from the Hematite Mine, the Group will recognise earnings from contracts with customers (representing the sales of iron ore when the significant risks and rewards of ownership of the goods sold have been transferred to the buyer). The purchase price payable for the iron ore and the fair value of the relevant assets relating to commodity forward contracts under the Restated Long Term Hematite Supply Agreement will be recognised as the Group's cost of sales upon delivery.

LETTER FROM THE IFA

Net assets value

Upon Completion, the Restated Long Term Hematite Supply Agreement represents assets relating to commodity forward contracts which will be classified as an asset of the Group in the consolidated statement of financial position based on the fair value of the Consideration paid and payable under the Assignment and Novation Agreement on the Completion Date. While the Consideration amounted to HK\$150 million will be settled by two instalments and satisfied by internal resources and/or borrowings of the Group, therefore the Group would record an increased in the Group's assets and liabilities for such unpaid amount (Second Instalment) and/or any borrowings of the Group for settlement of the first installment.

The combined effect of (i) the increase in assets relating to commodity forward contracts; (ii) the decrease in cash and bank balances; and (iii) the increase in payables and/or borrowings of the Group, the Group's consolidated net assets value is not expected to experience any material change.

Working capital and gearing

Upon Completion, the working capital of the Group will decrease by the payment of the Consideration up to the amount that is satisfied by the Group's internal resources. As part of the Consideration will be settled by way of borrowings, the Completion of the Assignment and Novation Agreement will increase the Group's gearing.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon Completion of the Assignment and Novation Agreement.

Having considered that (i) the Assignment and Novation Agreement has been entered into after arm's length negotiation and its terms are fair and reasonable; (ii) the Assignment and Novation Agreement would expand the supply network and secure the stable long term supply of quality iron ores; and (iii) the Consideration is comparable to the valuation of HK\$150 million as of 31 March 2019 based on the Valuation prepared by the Independent Valuer, we consider that the Assignment and Novation Agreement is on normal commercial terms and its terms are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Assignment and Novation Agreement is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE IFA

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the terms and conditions of the Assignment and Novation Agreement and the transactions contemplated thereunder are on normal commercial terms and entered into in the ordinary and usual course of business of the Group. We also consider that the terms and conditions of the Assignment and Novation Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the EGM for the purpose of approving the non-exempted connected transaction contemplated under the Assignment and Novation Agreement (including but not limited to the execution of the Novation Deed and the transactions contemplated thereunder).

Yours faithfully,
For and on behalf of
HALCYON CAPITAL LIMITED
Terry Chu
Managing Director

Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 19 years of experience in corporate finance industry.

The following is the full text of the Valuation Report dated 8 July 2019 prepared for incorporation in this circular.

DUFF & PHELPS 道衡美評

8 July 2019

The Directors
Newton Resources Ltd
Suite 4117, 41/F, Jardine House,
1 Connaught Place, Central, Hong Kong

Dear Sirs,

**VALUATION REPORT ON MARKET VALUE OF
THE RIGHTS AND OBLIGATIONS UNDER
THE RESTATED LONG TERM HEMATITE SUPPLY AGREEMENT**

Pursuant to the terms, conditions and purpose of an engagement agreement dated March 15, 2019 (“Engagement Agreement”) between Newton Resources Ltd (the “Client” or the “Company”) and D&P China (HK) Limited (“Duff & Phelps China”), we have performed an analysis of the market value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement in relation to the supply of hematite ore by Koolan Iron Ore Pty Limited (“Koolan”), a company incorporated in Australia and a wholly owned subsidiary of Mount Gibson Iron Limited (“MGI”), an Australian listed company, as of March 31, 2019 (“Valuation Date”).

We understand that the Company and Shougang Concord International Enterprises Company Limited (“Shougang Concord International”), a connected person of the Company, is going to enter into an assignment and novation agreement (“Assignment and Novation Agreement” or “Proposed Transaction”). Pursuant to which Shougang Concord International shall assign and novate, and shall procure its subsidiary, SCIT Trading Limited (“SCIT”), as the current buyer, to assign and novate their respective rights and obligations (“Rights and Obligations”) under the Long Term Hematite Supply Agreement to the Company (as the new guarantor) and its subsidiary, Ace Profit Investment Limited (“Ace Profit”) (as the new buyer) respectively. The consideration of the Proposed Transaction would be around HKD 100 million – HKD 200 million.

Under the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase hematite ore to be derived from the hematite mine (“Hematite Mine”, situated at Koolan Island, Western Australian) in such annual quantity as equals 80% of Koolan’s total available production during each contract year over the mining life of the Hematite Mine. The reserve and mine plan of the Hematite Mine are available in public filing. Iron ores will be purchased at the agreed price formulae, and delivered and sold to the Chinese market at the forecasted iron ore prices with average 65% iron quality with reference to applicable market indexes.

We understand that this letter will be adopted by the Company for public disclosure purpose in compliance with the Rules Governing the Listing of Securities on Stock Exchange (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (“HK Stock Exchange”). No third party shall have the right of reliance on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

This letter identifies the asset appraised, describes the scope of work, states the basis of value, specifies key inputs and assumptions, explains the valuation methodology utilized, and presents our conclusion of value. In preparing this letter, we aim to largely comply with the reporting standards recommended by the International Valuation Standards (“IVS”). The depth of discussion contained in this letter is specific to the needs of the Client and for the intended use of inclusion in the public filing in relation to the Proposed Transaction. Supporting documentation and schedules concerning confidential commercial matters has been retained in our work papers and by the Client.

PURPOSE OF VALUATION

The Client intends to acquire the Rights and Obligations under the Restated Long Term Hematite Supply Agreement for an aggregate consideration of approximately HKD 100 million – HKD 200 million. With the Client’s approval and as stipulated in the Engagement Agreement in formulating our opinion on the market value of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement, we relied upon the completeness and accuracy of legal, operational and financial information provided by the management of the Client (the “Management”). To the extent that any of these assumptions or facts changed, the result of our market value conclusion should be different.

The intended use of the Valuation is to serve as the basis for compliance with the Listing Rules. The ultimate transaction, if happens, and the corresponding acquisition prices would be the results of negotiations between the transacting parties. The responsibility for determining the agreed acquisition price of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement rests solely with the Client. The results of our analysis should not be construed to be a fairness opinion, a solvency opinion, or an investment recommendation. It is inappropriate to use our valuation report for purpose other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND BASIS OF VALUE

The valuation was prepared on the basis of market value. Market value is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

DESCRIPTION AND BACKGROUND OF THE ASSIGNMENT AND NOVATION AGREEMENT, THE NOVATION DEED AND THE RESTATED LONG TERM HEMATITE SUPPLY AGREEMENT

As at the date of this report, MGI, Koolan, Shougang Concord International and SCIT (as the current buyer) are the parties to the Koolan Island long term ore sale agreement in relation to the supply of hematite ore by Koolan to SCIT from time to time, which was first entered into on November 22, 2008 and has subsequently been novated, amended, supplemented and restated from time to time (“Long Term Hematite Supply Agreement”). Pursuant to the Long Term Hematite Supply Agreement, Koolan shall supply and sell and SCIT shall purchase hematite ore 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 pricing formulae from time to time during the period from 1 July 2009 to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine. Shougang Concord International, as the guarantor, shall unconditionally and irrevocably guarantee to Koolan the compliance of SCIT, its indirect wholly owned subsidiary, with its obligations in connection with the Long Term Hematite Supply Agreement. Hematite ore is iron ore of high grade for direct shipping ore sales.

Shougang Concord International and the Company is going to enter into the Assignment and Novation Agreement, pursuant to which the Company and Ace Profit are going to acquire from Shougang Concord International and SCIT the respective Rights and Obligations under the Long Term Hematite Supply Agreement.

The assignment and novation of the Rights and Obligations shall be effected by way of the execution of the conditional novation deed (the “Novation Deed”) on the date of the Assignment and Novation Agreement. In accordance with the provisions of the Novation Deed, with effect from the effective time (the “Effective Time”), the respective Rights and Obligations of Shougang Concord International and SCIT shall be novated to the Company and Ace Profit respectively, and the terms and conditions of the Long Term Hematite Supply Agreement shall be amended and restated in the form set out in the schedule thereto (the “Restated Long Term Hematite Supply Agreement” or the “Contract”). Under the Restated Long Term Hematite Supply Agreement, Koolan shall supply and sell and Ace Profit shall purchase hematite ore 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 pricing formulae from time to time during the period from the Effective Time to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine. Koolan shall not enter into any further offtake agreements for the sale of hematite ore derived from the Hematite Mine which, at any point in time during the term of the Restated Long Term Hematite Supply Agreement, forms its available production and the subject matter of the Restated Long Term Hematite Supply Agreement without first obtaining the written consent of Ace Profit which it may give at its sole discretion, such that the proportion of total output of hematite ore derived from the Hematite Mine which Ace Profit receives under the Restated Long Term Hematite Supply Agreement in any contract year shall not decrease in any subsequent contract year. The Company, as the guarantor, shall unconditionally and irrevocably guarantee to Koolan the compliance of Ace Profit, as the buyer, with its obligations in connection with the Restated Long Term Hematite Supply Agreement.

BACKGROUND OF THE HEMATITE MINE

MGI acquired the Hematite Mine in early 2007, and the exports from the Hematite Mine have reached 25 million metric tonnes up to date.

However, the operations from the Main Pit at the Hematite Mine were suspended since November 2014 following a seawall failure which resulted in the pit flooding. In April 2017, following detailed evaluation work, MGI approved the rebuild of the main pit seawall at the Hematite Mine to resume high grade iron ore production. Following two years of redevelopment and refurbishment work at the Hematite Mine site, the first shipment of high grade iron ore sales from the Hematite Mine recommenced in late April 2019.

As disclosed in the announcement of MGI dated 20 April 2018, the latest proven and probable ore reserves estimate of the Hematite Mine is 21 million metric tonnes with an average iron grade of 65.5%. As further disclosed in the announcement of MGI dated April 24, 2019, MGI has recommenced the sales of high grade iron ores derived from the Hematite Mine which are scheduled to be mined over the next 5.5 years.

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective economic conditions of the national economy. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and the inflation rate. An overview of the national economies of China was essential to develop this outlook. The following economic discussion was extracted from Economist Intelligence Unit (“EIU”) issued in April 4, 2019.

ECONOMIC GROWTH: EIU forecast that real GDP growth will slow to 6.3% in 2019, from 6.6% in 2018. Headline growth will be faster in the second half of 2019 than the first as policy measures begin feeding into the economy. Policy will include support for infrastructure investment, alongside steps to lift household spending, such as subsidies and tax breaks. Looser monetary policy will also lower the cost of investment and feed firmer activity in the property market.

INFLATION: An upward cycle in pork prices, exacerbated by supply disruptions caused by African swine fever, will push up consumer price inflation in 2019. This will also be supported by higher rental prices. EIU expect consumer prices to rise by 2.5% on average this year, with weakness in global fuel prices constraining inflationary pressure from building further. The inflation rate will remain broadly stable throughout the forecast period, at an annual average of 2.6%, although rising global oil prices in 2021-22 will provide a tailwind. With inflation remaining below the PBC’s traditional ceiling of 3% during the forecast period, monetary policy will retain some flexibility.

EXCHANGE RATES: Although the renminbi traded firmly against the US dollar in early 2019, downward pressure will re-emerge later this year. EIU forecast it to weaken to Rmb6.83:US\$1 on average in 2019, from Rmb6.62:US\$1 in 2018. This will stem from investors' concerns about the health of the economy, rather than deliberate efforts by the PBC. Nevertheless, the pause in US interest-rate tightening will alleviate some depreciatory pressure. The central bank will maintain capital controls and draw on foreign-exchange reserves to slow the pace of depreciation, but it will not try to reverse it.

INDUSTRY OVERVIEW

According to research reports, the tragedy in an iron mine in Brazil in early 2019 has triggered major short-term losses in mining production and sharp narrowing of price differentials from low-grade to high-grade iron ores. The global iron ore market is presently losing huge volume of Brazilian supply with unclear restart timeline and Australian supply have been hampered by recent shipment disruptions with key ports being hit by cyclones. It is believed that the Brazilian iron ore exports will inevitably drop in 2019 due to major supply interruptions resulting in the pricing for all iron ore products to increase with more upside to come in the future. The high iron ore prices could also be supported by the acceleration in Chinese economic growth and the continual fixed-asset investment, as well as more supply disruptions and less iron mine project commissioning in the markets.

According to researches, steel demand in China has also shown seasonal rebound in the near term, and is expected to remain solid with Chinese construction activities beating expectations. Also, the China steel prices have risen materially since 2017 which supported the overall recovery and general increase in the prices of iron ores. However, the actual environmental policy enforcement beyond the winter period remains uncertain and any extended curtailments in steel production capacity will effectively tighten steel supply and affect iron ore demand. Recent steel mills' preference over high iron grade and low impurities content shall benefit the Group's products from the Hematite Mine. The major decline of mining capital expenditures during past few years and intensified environmental restrictions will likely cap the local iron ore supply growth in China, which shall also present an opportunity for the import of iron ores offered by the Group.

SCOPE OF WORK AND KEY ASSUMPTIONS

Our investigation included discussions with the Management with regard to the major terms of the Assignment and Novation Agreement, the Restated Long Term Hematite Supply Agreement, history, operations and prospects of the Hematite Mine, an overview of historical iron ore price, an analysis of the industry and competitive environment, an analysis of comparable companies/transactions and other relevant documents. For this appraisal, we made reference to or reviewed the following major documents and data:

- The latest draft Assignment and Novation Agreement
- The latest draft Restated Long Term Hematite Supply Agreement
- Historical financial statements of MGI for fiscal years ended June 30, 2014 to 2018
- Mineral Resources and Ore Reserves Statement of the Hematite Mine as at 30 June 2018
- Announcement of MGI in the resumption of iron ore sales from Koolan on April 24, 2019
- Tentative shipment schedule from MGI for 2019
- Industry research reports cited in the section of the report where referenced
- Other relevant documents

We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us by the Management, are true and accurate and accepted them without independent verification except as expressly described herein. We have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinion and representations made to us to be untrue, inaccurate or misleading. In arriving at our opinion of value, we have considered the following principal factors:

- the stage of development of the Hematite Mine
- the economic outlook of China and specific competitive environments affecting the global steel and iron ore industry
- the legal and regulatory issues of the global steel and iron ore industry in general and other specific legal opinions relevant to the Hematite Mine

A number of assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation are:

- no major changes are expected in political, legal and economic conditions in Hong Kong, China and Australia;
- regulatory environment and market conditions for the global steel and iron ore industry will be developing according to prevailing market expectations;
- there will be no major changes in the current taxation law applicable to the Contract;
- The Client will not be constrained by the availability of finance;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- The Client will retain competent management, key personnel and technical staff to support the ongoing operation under the Contract.

VALUATION METHODOLOGY OVERVIEW

In the appraisal of the equity, or the net assets, of a business, regardless of their diversity, location, or technological complexity, there are three basic approaches to perform a valuation. The descriptive titles typically attached to these approaches are cost, income, and market. In normal circumstances, the appraiser is obliged to consider all three approaches, as any, or perhaps all, may provide reliable measures of value.

Cost approach established value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known used market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established used market may be appraised by this approach.

To develop our opinion of value, the three generally accepted approaches to value are considered: cost, market and income. While useful for certain purposes, the cost approach is generally not considered applicable to the valuation of a going concern, as it does not capture future earning potential of the business realized under the Contract. Moreover, there is no comparable agreements in the market with observable prices. Thus, both cost and market approach are not utilized in the valuation. In forming our opinion, we solely rely upon the income approach to determine the market value of the Contract.

INCOME APPROACH – DISCOUNTED CASH FLOW METHOD

The Discounted Cash Flow Method under the income approach was adopted in the valuation of the Contract.

This method explicitly recognizes that the current value of an investment is premised upon the expected receipt of future economic benefits such as periodic income, cost savings, or sale proceeds. Indication of value is developed by discounting future net cash flow to the present value at a rate that reflects both the current return requirements of the market and the risks inherent in the specific investment. In using Discounted Cash Flow method, we relied on the following key assumptions over the mining life of the Hematite Mine:

- The projected production plan is extracted from the investor presentation of MGI published on March 20, 2019. Total production volume from MGI from 2019 to 2024 will be 21.3 million wet metric tonnes. 80% of the production volume from MGI will be supplied under the Contract. Per Management, the shipment has been recommenced in April 2019 and Ace Profit will start taking up the cargoes from July 2019 upon completion of the Proposed Transaction and the output under the Contract in 2019 will be 1.26 million wet metric tonnes for fines. Total production volume under the Contract from 2019 to 2024 will be 16.69 million wet metric tonnes.
- Since moisture content over 6% for fines will be reimbursed by MGI and the first shipment for fines has a moisture content of about 4%, the moisture content is then assumed to be at the average of 5%. The quantities in wet metric tonnes are adjusted by the moisture content, the output under the Contract will be 15.85 million dry metric tonnes from 2019 to 2024.
- Iron ore will be sold to China at the forecasted iron ore prices with expected average 65% iron quality with reference to applicable market indexes (Platts indexes).
- Future unit prices are estimated by regression. We collected the historical daily price from Platts and Bloomberg for the period of four years up to March 29, 2019. Regression was run with high statistical significance in terms of high level of correlation and R2. We then collected the forecast from Bloomberg which summarized the consensus estimates from investment bankers. By putting the Bloomberg prices in the regression equation, the prices of fines were constructed.
- The revenue in each year were determined by the unit price calculated above times the expected quantity to be sold.

- Cost of revenue was derived by using the total revenue less the Marketing Commission Saving, which represented the gross profit to be earned by Ace Profit from the Restated Long Term Hematite Supply Agreement.
- The Company will deduct from the gross profit (which mainly Marketing Commission Saving in each year) by the realisation of relevant portion of the Contract (which was calculated by unit of production method), guarantee fee charge for financial guarantee (financial assistance obtained) and annual administrative expenses (mainly related to bank charges when issuing letters of credit) to arrive at the pre-tax profit.
- The pre-tax profit was adjusted by the income tax expenses in Hong Kong. Under the two-tiered profits tax rates regime in Hong Kong, the profits tax rate for the first HKD 2 million of assessable profits is lowered to 8.25%. Assessable profits above HKD 2 million will continue to be subject to the rate of 16.5%.
- After-tax profit was then added back by the amortization of the Contract and discounted back to present by the appropriate discount rate.

Discount Rate

The rate at which the annual net cash flows discounted to present value is based on the estimated cost of equity.

The cost of equity for the valuation was developed through the application of the Capital Asset Pricing Model (“CAPM”), which is the most commonly adopted method of estimating the required rate of return for equity. CAPM states that the cost of equity is the risk-free rate plus a linear function of a measure of systematic risk (“Beta”) times equity market premium in general.

We have selected three comparable companies actively traded in a public, free, and open market, either on an exchange or over-the-counter. Our selection criteria of comparable companies include:

- Engages in the metal trading business (without owning any mine or mining operation) which contributes over 50% of total revenue in recent year
- Over 80% of total revenue come from China and Hong Kong in recent years
- Profit making

Selected comparable companies are:

- CAA Resources Ltd (2112 HK) is an iron ore product supplier in the State of Pahang, Malaysia. Its primary business operations include iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines.

- APAC Resources Limited (1104 HK) is an investment holding company. It is principally involved in investments in global resources companies and commodity trading.
- Lee Kee Holdings Limited (637 HK) sources and distributes non-ferrous metals, primarily SHG zinc and zinc alloy, nickel and nickel-related products, aluminium and aluminum alloy, and other electroplating chemicals (including chemicals of precious metals, such as silver, gold and rhodium).

The comparable companies mentioned above were used in estimating the beta and, in turn, the cost of equity.

$$K_e = R_f + MRP \times \text{Beta} + \text{CSP}$$

$$11.0\% = 1.42\% + 8.147\% \times 0.77 + 3.39\%$$

where:

$$K_e = \text{cost of equity}$$

$$R_f = \text{risk-free rate of Hong Kong extracted from Bloomberg}$$

$$\text{MRP} = \text{the expected return of the market (Rm) in excess of the risk-free rate (Rf), or, mathematically, } R_m - R_f. \text{ The market equity risk premium is estimated based on consideration of historical realized returns on equity investments over a risk-free rate as represented by 20-year government bonds, forward-looking equity risk premium estimates, and the relative volatility adjustment factor. A 6.15\% equity risk premium was considered to reasonably represent a consensus viewpoint of the U.S. market equity risk premium estimated by Duff \& Phelps. Additionally, a relative volatility adjustment factor was incorporated to reflect the ratio between volatility of S\&P 500 index and the volatility of Hong Kong market through our proprietary research. Since the adjustment factor was 1.3247 for Hong Kong relative to U.S. ERP in Hong Kong was derived at 8.147\% (= 6.15\% \times 1.3247).}$$

$$\text{Beta} = \text{a measure of the risk of a given security relative to that of the overall market. The beta was measured on 5 years monthly historical data of comparable companies before the Valuation Date extracted from Bloomberg, which was then releveraged based on the concluded capital structure.}$$

CSP = small size premium, which is often used in conjunction with the CAPM because many studies have shown that small capitalization equity securities outperform large capitalization equity securities, even after adjusting for the systematic risk (beta) of small stocks. These studies suggest that additional risk is related to small capitalization equity securities beyond that explained by the CAPM. Although the betas tend to be greater than those of large capitalization equity securities, they do not account for all the risks faced by investors in small equity securities. Therefore, the CSP was based on the size premium table from the cost of capital netvigator of Duff & Phelps is shown below:

USD' million	Smallest	Largest	CSP
Large cap	13,457	>13,457	0.00%
Mid cap	2,993	13,456	0.89%
Low cap	729	2,992	1.58%
Micro cap	0	728	3.39%

By looking at that table and the deal size, 3.39% is selected.

Our analysis concludes that a discount rate of 11.0% (rounded) is considered appropriate for valuing the Contract.

Sensitivity Analysis

As part of our valuation, a sensitivity analysis of the market value of the Contract was performed. We have tested the market value of the Contract in response to the changes of the following parameters:

- Discount rate (9.0% to 13.0%)
- Annual change in production volume under the Contract (-5% to +5%): this reflects the increase (accelerated) or decrease (deferral) of the annual production volume in each year during 2019-2024. Total production volume under the Contract from 2019 to 2024 will be capped at 16.55 million wet metric tonnes.
- Change in future market price (Platts indexes) (-USD 10/tonne to +USD 10/tonne) from 2019 to 2024

The result is shown below:

Discount rate	Value of the Contract (HKD' million)
9.00%	158
10.00%	154
11.00%	150
12.00%	146
13.00%	142

Annual change in production volume	Value of the Contract (HKD' million)
-5.00%	141
-2.50%	145
0.00%	150
2.50%	150
5.00%	151

Annual change in future market price	Value of the Contract (HKD' million)
-USD10/tonne	121
-USD5/tonne	135
0	150
+USD5/tonne	164
+USD10/tonne	178

The impacts of the parameters in the first two cases are similar while the upside is limited by the maximum quantity under the Contract of 16.55 million wet metric tonnes. The impact from the annual change in future market price is larger than other two cases.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above, it is our opinion that the market value of the Contract as of the Valuation Date is reasonably stated by the amount of **HONG KONG DOLLARS ONE HUNDRED AND FIFTY MILLION (HKD 150,000,000) ONLY.**

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Respectfully submitted,
For and on behalf of
D&P China (HK) Limited

Patrick Wu
Regional Managing Director

Ricky Lee
Managing Director

Note: This valuation was prepared under the direct supervision of Mr. Ricky Lee as project-leader-in-charge with substantial professional assistance from Mr. Kenneth Kei and concurring technical review by Mr. Kevin Leung, another Managing Director based in Beijing. The final conclusion was approved by Mr. Patrick Wu as Regional Managing Director and practice leader of the firm's Greater China valuation advisory services.

Mr. Ricky Lee has been involved in business valuation for the purpose of joint venture, merger and acquisition and public listing for over 15 years. Mr. Lee has prior experience in conducting equity interest valuation to Hong Kong listed China based hospital companies. He is a charter holder of the Chartered Financial Analyst and is a current member of the Financial Reporting Valuation Panel which acts in an advisory capacity to the Financial Reporting Standards Committee ("FRSC") of the Hong Kong Institute of Certified Public Accountants ("HKICPA") on financial reporting related valuation and present Secretary (and former President) of the American Society of Appraisers Hong Kong Chapter.

Mr. Patrick Wu is responsible for the management and strategic development of the firm's Greater China operation which has offices in Hong Kong, Beijing, Shanghai, Guangzhou, and Shenzhen and Taipei. Mr. Wu was qualified as a lawyer and has served as an independence Non-Executive Director on the board of directors of a Hong Kong listed company. He is extensively involved in providing professional consulting services for a wide range of public organizations and business sectors, such as banking, business acquisitions, public listings, real estate and investment in Hong Kong and China, professional development, quality assurance and business development.

The following is the full text of the report from the reporting accountants on the arithmetical accuracy of the calculations of the discounted cash flow forecast on which the Valuation is based dated 8 July 2019 prepared for incorporation in this circular.



8 July 2019

The Directors
Newton Resources Ltd
Suite 4117, 41/F, Jardine House
1 Connaught Place
Central
Hong Kong

**REPORT FROM REPORTING ACCOUNTANTS ON
THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH
THE VALUATION OF THE RIGHTS AND OBLIGATIONS UNDER
THE RESTATED LONG TERM HEMATITE SUPPLY AGREEMENT**

Dear Sirs,

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the “**Forecast**”) on which the valuation dated 8 July 2019 prepared by D&P China (HK) Limited in respect of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement of Newton Resources Ltd (the “**Company**”) is based. The valuation is set out in the circular of the Company dated 8 July 2019 (the “**Circular**”) in connection with, among others, the Restated Long Term Hematite Supply Agreement, which shows that Ace Profit Investment Limited, an indirect wholly owned subsidiary of the Company, shall purchase such annual quantity as equals 80% of total available production of hematite ore of Koolan Island during each contract year at the agreed market pricing formulae during the period from the Effective Time to the date of permanent cessation of Koolan’s mining operations at the Hematite Mine. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

Directors' Responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the section headed “5. Principal Assumptions of the Valuation” in the Letter from the Board in the Circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion on the Forecast.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Rights and Obligations under the Restated Long Term Hematite Supply Agreement. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Ernst & Young*Certified Public Accountants*

22/F, CITIC Tower, 1 Tim Mei Avenue, Central
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DISCLOSURE OF INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register maintained by the Company referred to in section 352 of the SFO pursuant thereto; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company.

As at the Latest Practicable Date, so far as was known to the Directors, Mr. Chong Tin Lung, Benny was a director of VMSIG. As disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as at the Latest Practicable Date, VMSIG beneficially owned 789,744,000 Shares and Fast Fortune, a directly wholly-owned subsidiary of VMSIG, beneficially owned 360,000,000 Shares. As such, by virtue of the SFO, VMSIG was deemed to be interested in an aggregate of 1,149,744,000 Shares, representing approximately 28.74% of the issued Shares.

Save as disclosed above, so far as was known to the Director, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable date, no Director had any interest in any business apart from the Group's business which competed or would be likely to compete, either directly or indirectly, with the Group's business.

4. DIRECTORS' AND EXPERT'S INTERESTS IN ASSETS

None of the Directors or the experts (as named in this circular) had any interest, direct or indirect, in any asset which had, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group or which were, as at the Latest Practicable Date, proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding service contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. EXPERT QUALIFICATION AND CONSENT

The qualification of the experts who have been named in this circular and have given opinions or advice which are contained herein is set out below:

Name	Qualification
Halcyon Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants
D&P China (HK) Limited	Professional valuer

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their statements, letters and/or reports and references to their names in the form and context in which they are included.

As at the Latest Practicable Date, the above experts did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, except as disclosed in the announcement of the annual results for the year ended 31 December 2018 of the Company dated 29 March 2019 and the annual report of the Company for the year ended 31 December 2018, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

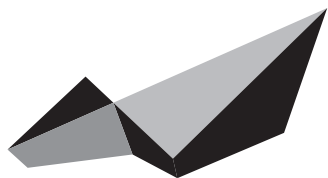
- (a) All references to times and dates in this circular refer to Hong Kong times and dates.
- (b) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Suite 4117, 41/F, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including the date of the EGM:

- (a) the Assignment and Novation Agreement;
- (b) the Novation Deed;
- (c) the Restated Long Term Hematite Supply Agreement; and
- (d) the Deed of Guarantee and Indemnity.

NOTICE OF EGM



新礦資源有限公司
NEWTON RESOURCES LTD

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1231)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Newton Resources Ltd (the “**Company**”) will be held at Meeting Room S228 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wanchai, Hong Kong on Wednesday, 24 July 2019 at 11:45 a.m. for the following purpose of considering and, if thought fit, passing (with or without modifications) the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional agreement for assignment and novation of the Koolan Island long term ore sale agreement in relation to the supply of hematite ore by Koolan Iron Ore Pty Limited (“**Koolan**”) to SCIT Trading Limited (“**SCIT**”) from time to time, which was first executed on 22 November 2008 and has subsequently been novated, amended, supplemented and restated from time to time (the “**Long Term Hematite Supply Agreement**”), entered into between Shougang Concord International Enterprises Company Limited (“**Shougang Concord International**”) and the Company on 31 May 2019 in connection with the assignment and novation of the respective rights and obligations of Shougang Concord International as the guarantor and SCIT as the buyer under the Long Term Hematite Supply Agreement to the Company as the new guarantor and Ace Profit Investment Limited (“**Ace Profit**”) as the new buyer respectively (the “**Assignment and Novation Agreement**”, a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for identification purpose) and the transaction contemplated thereunder (including the execution of the conditional deed of novation, amendment and restatement dated 31 May 2019 to effectuate such assignment and novation and the amendment and restatement of the Long Term Hematite Supply Agreement entered into among all parties to the Long Term Hematite Supply Agreement, the Company and Ace Profit (the “**Novation Deed**”, a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder) be and are hereby approved, and the execution of the Assignment and Novation Agreement, the Novation Deed and all documents ancillary or incidental thereto by a director of the Company (“**Director**”) by hand or under seal for and on behalf of the Company on 31 May 2019 be and is hereby approved, confirmed and ratified; and

NOTICE OF EGM

- (b) any Director or any other person authorised by the Directors be and is hereby authorised to do and execute all such acts, matters, deeds, documents and things as he/she may in his/her absolute discretion consider necessary or desirable for or in connection with the Assignment and Novation Agreement, the Novation Deed, the transactions contemplated thereunder and/or the matters ancillary or incidental thereto, and/or the implementation of any of the foregoing, to waive compliance from and/or agree to any amendment or supplement to any of the provisions of the Assignment and Novation Agreement, the Novation Deed and all documents ancillary or incidental thereto which is in his/her opinion not of a material nature, and to effect or implement any other matters referred to in this resolution.”

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

Hong Kong, 8 July 2019

Notes:

1. The resolution to be proposed at the meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the articles of association of the Company and the poll voting results will be published on the websites of the Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the meeting or any adjournment thereof. A proxy (who must be an individual) need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he or they represent(s) as such member of the Company could exercise.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, shall be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which address will be changed to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11 July 2019) not less than 48 hours before the time appointed for the holding of the meeting (i.e. at or before 11:45 a.m. on Monday, 22 July 2019 (Hong Kong time)) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EGM

4. For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 23 July 2019 to Wednesday, 24 July 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfers of shares of the Company accompanied by the relevant properly completed transfer forms and the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which address will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration not later than 4:30 p.m. on Monday, 22 July 2019.
5. If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 9:00 a.m. on the date of the meeting, the meeting will be postponed or adjourned. The Company will post an announcement on the websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify shareholders of the date, time and place of the rescheduled meeting.

The meeting will be held as scheduled when an Amber or Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situation.