

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



新礦資源有限公司
NEWTON RESOURCES LTD

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

DISCLOSEABLE TRANSACTION
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN
AND ASSIGNMENT OF THE SHAREHOLDER'S ADVANCE
DUE FROM A DIRECT WHOLLY-OWNED SUBSIDIARY
OF THE COMPANY

THE DISPOSAL

The Board is pleased to announce that on 31 December 2019, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and assign to the Purchaser, and the Purchaser agreed to purchase and accept the assignment of, the Sale Shares and the Sale Loan for a consideration of HK\$109 million in accordance with the terms and conditions thereof.

The Disposal Company, a direct wholly-owned subsidiary of the Company, is an investment-holding company and its principal operating subsidiary includes Xingye Mining which owns and operates the Yanjiazhuang Mine.

LISTING RULES IMPLICATIONS

Since the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 31 December 2019, the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell and assign to the Purchaser, and the Purchaser agreed to purchase and accept the assignment of, the Sale Shares and the Sale Loan for a consideration of HK\$109 million in accordance with the terms and conditions thereof.

THE SALE AND PURCHASE AGREEMENT

Set forth below are the major terms of the Sale and Purchase Agreement:

Date

31 December 2019

Parties

- (1) the Company as vendor; and
- (2) the Purchaser as purchaser.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons as defined under the Listing Rules.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Company shall sell and assign to the Purchaser, and the Purchaser shall purchase and accept the assignment of, the Sale Shares and the Sale Loan. Upon completion of the Sale and Purchase Agreement, the Disposal Group will no longer be held by the Company.

Consideration

The Consideration receivable by the Company from the Purchaser for the disposal and assignment of the Sale Shares and the Sale Loan under the Sale and Purchase Agreement shall be HK\$109 million.

The Purchaser shall pay the Consideration by cash as follows:

- (1) HK\$1 million (the “**Initial Deposit**”) shall be paid upon the signing of the Sale and Purchase Agreement, which shall be applied towards payment by the Purchaser to the Company as part of the Consideration upon Completion;
- (2) HK\$54 million (the “**Further Deposit**”) shall be payable on or before 31 January 2020, which shall be applied towards payment by the Purchaser to the Company as part of the Consideration upon Completion; and
- (3) the balance of the Consideration in the sum of HK\$54 million shall be payable upon Completion.

If Completion does not take place on the Completion Date as a result of the default of the Company and the Sale and Purchase Agreement is rescinded by the Purchaser pursuant to the terms thereof, then the Company shall, within five business days immediately following the termination of the Sale and Purchase Agreement, refund the Initial Deposit and Further Deposit so received by the Company (without interest) to the Purchaser.

If the Purchaser fails to pay to the Company the Initial Deposit and/or the Further Deposit in the manner set forth above, or the Purchaser fails to comply with its obligations to pay the balance of the Consideration upon Completion, then the Company may, by notice to the Purchaser, terminate the Sale and Purchase Agreement whereupon the Company shall be entitled to forfeit the Initial Deposit absolutely, and the Company shall procure the Further Deposit (if so paid) to be refunded to the Purchaser without any interest.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to (a) the book value of the unaudited consolidated net deficiency in assets of the Disposal Group as at 30 June 2019 of approximately RMB729.5 million; (b) the unaudited amount of the shareholder's advance outstanding and owed by the Disposal Group to the Group as at 30 June 2019 of approximately RMB851.4 million; (c) the business environments, prospects, operation, and situation at the Yanjiazhuang Mine (as defined below); and (d) the prevailing uncertainties in macroeconomic outlook, including, amongst others, the trade-friction between the United States of America and China, and the business and investment atmosphere in Hong Kong and China.

Completion

Completion under the Sale and Purchase Agreement shall take place on 30 June 2020 (or such other date as the parties hereto may agree in writing), at which the Company shall deliver to the Purchaser the original share certificate in respect of the Sale Shares, duly signed letters of resignation of all existing directors and secretaries, if so appointed, of the Disposal Group and counterparts of the deed of assignment in respect of the Sale Loan (the “**Deed of Assignment**”) duly executed by the Company and the Disposal Company, amongst others, while the Purchaser shall deliver to the Company a cheque drawn in favour of the Company or its order towards payment of the balance of the Consideration and one counterpart of the Deed of Assignment duly executed by the Purchaser, amongst others.

INFORMATION OF THE DISPOSAL GROUP

The Disposal Group consists of the Disposal Company and its subsidiaries, including, amongst others, Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司), a limited liability company established under the laws of the PRC (“**Xingye Mining**”).

The Disposal Company, a direct wholly-owned subsidiary of the Company, is an investment-holding company incorporated in the BVI with limited liability with an issued share capital of US\$1,000. The principal operating subsidiary of the Disposal Company includes Xingye Mining, which owns and operates the Lincheng Xingye Mineral Resources Co., Ltd Yanjiazhuang Mine (臨城興業礦產資源有限公司閆家莊礦), an iron and gabbro-diabase mine located in Yanjiazhuang Mining Area, Shiwopu, Haozhuang Town, Lincheng County, Hebei Province, the PRC (the “**Yanjiazhuang Mine**”).

Set forth below are the consolidated net losses of the Disposal Group for the years ended 31 December 2017 and 31 December 2018 according to the unaudited consolidated management accounts of the Disposal Group:

	For the year ended 31 December 2017 <i>RMB million</i>	For the year ended 31 December 2018 <i>RMB million</i>
Net loss before and after tax	22.8	91.5

The book value of the consolidated net deficiency in assets of the Disposal Group as at 30 June 2019 was RMB729.5 million as shown in its unaudited consolidated management accounts.

FINANCIAL EFFECT OF THE DISPOSAL

For illustrative purpose, based on

- (i) the unaudited consolidated net deficiency in assets of the Disposal Group as at 30 June 2019 of approximately RMB729.5 million (after adding back the outstanding shareholder's advance as set out in (ii) below, the unaudited consolidated net assets of the Disposal Group shall be approximately RMB121.9 million);
- (ii) the unaudited amount of the shareholder's advance outstanding and owed by the Disposal Group to the Group as at 30 June 2019 of approximately RMB851.4 million;
- (iii) the Consideration of HK\$109 million; and
- (iv) other expenses attributable to the Disposal of approximately HK\$1 million,

it is expected that the Group will record an impairment loss of approximately RMB24.7 million for reclassifying the assets and liabilities of the Disposal Group as held for sale which are then measured at the lower of their carrying amounts and fair values less costs to sell as at 31 December 2019. Such a loss is non-recurring in nature and shall be recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the financial year ending 31 December 2019. The actual non-recurring loss to be recognised by the Group will be calculated by reference to the financial position of the Disposal Group as at the date hereof and will be subject to the audit by the auditors of the Company, which may be different from the above figure.

The estimated loss on the Disposal to be recognised by the Group shall not be material and shall be recognised in the consolidated statement of profit or loss and other comprehensive income of the Group for the financial year ending 31 December 2020 upon Completion. The actual loss on the Disposal will be calculated by reference to the financial position of the Disposal Group (after adjustment for the aforesaid non-recurring loss) as at the date of Completion and will be subject to the audit by the auditors of the Company, which may be different from the above figure.

Upon Completion, the Disposal Group will no longer be subsidiaries of the Company. Accordingly, the assets, liabilities and financial results of the Disposed Group will no longer be consolidated into the consolidated financial statements of the Group.

INFORMATION OF THE GROUP

The Group is principally engaged in the mining and resources industry and carrying out its trading business of iron ores. Through securing the stable and sustainable supply of quality iron ore and other commodities from reputable overseas mines on a long-term basis, the Group has been successfully transformed from a pure mine owner and operator, which essentially involves both the investment in and operation of mines and the sale of resources extracted, into a commodity supplier, specialising in the offering of a wide spectrum of iron ore products and other commodities and the distribution of resources extracted by and sourced from its own mines and/or other independent mine owners. As such, the business of the Group has evolved into a resources business (the “**Resources Business**”).

INFORMATION OF THE PURCHASER

The Purchaser is a BVI business company incorporated in the BVI and is principally engaged in investment holding.

The Purchaser’s ultimate beneficial owner is Mr. Sun Cho Kan, a professional investor who has more than 5 years of experience in investment in Hong Kong and China.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Over the past few years, the operation and situation in the Yanjiazhuang Mine has become increasingly complex due to a series of factors, including but not limited to the demands of and the disturbance caused by the local villagers surrounding the Yanjiazhuang Mine, the tightening up of the environmental policies by the PRC Government, the requirement for upgrade of the environmental protection measures of the production facilities for highway crushed stone and railway ballast at the Yanjiazhuang Mine imposed by the local environmental protection authority, the floods and landslides in Hebei Province in July 2016 which caused severe life and economic losses and business disruption in the region, the expiry of the mining permit and the production safety permits and the difficulties encountered in the applications for renewal or grant of the requisite permits. As these issues were largely unforeseen by the management of the Group, the management of the Group has made every effort to overcome the hurdles to the full resumption of the operation at the Yanjiazhuang Mine, which has caused the time and resources of the management to be significantly tied up.

In view of the above, as disclosed in the Company’s 2019 Interim Report, Xingye Mining has initiated an assessment of the feasibility and economic viability of various business development plans in relation to the Yanjiazhuang Mine. The strategic review had been conducted with a view to enhancing the utilisation of the Group’s assets and capturing the business opportunities that are available in the Yanjiazhuang Mine area from time to time. Based on the review results, the Group has decided to pursue the economically viable option of realising the Group’s interest in the Yanjiazhuang Mine through the Disposal for better deployment of the Group’s financial and non-financial resources.

As further explained in the section headed “Use of Proceeds” in this announcement, the Disposal will provide the Group with funds for meeting its business needs in the expansion of the Resources Business, which has brought about a significant growth in the Group’s revenue in recent years, while at the same time allowing the Group to reduce its borrowings and finance costs. Notwithstanding the non-recurring loss expected to be recorded on the reclassification of the assets and liabilities of the Disposal Group as held for sale to be recognised for the financial year ending 31 December 2019 and the estimated loss on the Disposal to be recognised upon Completion, in the light of the above benefits, the Directors therefore believe that the Disposal will be conducive to the business development of the Group and pave way for its future growth.

The Directors consider that the terms of the Sale and Purchase Agreement (including the Consideration) are fair and reasonable and in the interests of the Shareholders as a whole.

USE OF PROCEEDS

It is expected that net proceeds from the Disposal, if crystallised, will provide the Group with additional cash to support the expansion of the Resources Business and repay part of the Group's bank and other borrowings, which will help reduce the Group's finance costs.

LISTING RULE IMPLICATIONS

Since the highest of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 5% but falls below 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, the following terms shall have the meanings set forth below in this announcement:

“2019 Interim Report”	the Company's interim report for the six months ended 30 June 2019
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Newton Resources Ltd (新礦資源有限公司), 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 Disposal pursuant to the terms of the Sale and Purchase Agreement
“Completion Date”	the date on which the Completion shall take place, being 30 June 2020 (or such other date as the parties hereto may agree in writing)
“Consideration”	the consideration receivable by the Company from the Purchaser for the Disposal under the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal and assignment of the Sale Shares and the Sale Loan by the Company to the Purchaser
“Disposal Company”	Venca Investments Limited (永佳投資有限公司), a limited liability company incorporated in the BVI

“Disposal Group”	the Disposal Company and its subsidiaries, including, amongst others, Lincheng Xingye Mineral Resources Co., Ltd (臨城興業礦產資源有限公司)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Accord Hero Limited, a BVI business company incorporated in the BVI
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase and assignment agreement dated 31 December 2019 entered into between the Company as vendor and the Purchaser as purchaser in respect of the Disposal
“Sale Shares”	1,000 shares of US\$1.00 each in the share capital of the Disposal Company, representing the entire issued share capital in the Disposal Company as at the date hereof
“Sale Loan”	the amount of the shareholder’s advance outstanding and owed by the Disposal Company to the Company as at any relevant time and, in the context of Completion, the amount outstanding as at the Completion Date including all other obligations, liabilities and debts owing or incurred by the Disposal Company to the Company on or at any time prior to the Completion Date
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US\$”

US dollars, the lawful currency of the United States of America

“%”

per cent.

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

Hong Kong, 31 December 2019

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