# CAA Resources Limited
# 優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 02112


INTERIM REPORT
2017

* For identification only


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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Li Yang
*(Chairman and Chief Executive Officer)*
Ms. Li Xiaolan
Mr. Wang Er
Ms. Xu Mijia

### Independent Non-Executive Directors

Mr. Leung Yiu Cho
Dr. Li Zhongquan
Dr. Wang Ling

## AUDIT COMMITTEE

Mr. Leung Yiu Cho *(Chairman)*
Dr. Wang Ling
Dr. Li Zhongquan

## REMUNERATION COMMITTEE

Dr. Wang Ling *(Chairman)*
Dr. Li Zhongquan
Ms. Li Xiaolan

## NOMINATION COMMITTEE

Mr. Li Yang *(Chairman)*
Dr. Wang Ling
Dr. Li Zhongquan

## AUTHORISED REPRESENTATIVES

Mr. Li Yang
Mr. Chu Lok Fung Barry

## COMPANY SECRETARY

Mr. Chu Lok Fung Barry, *CPA (Aust.), FCPA*

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 22, D&E
Level 22, Menara
Zenith, Putra Square
MSC Kuantan, 25200
Kuantan, Pahang
Malaysia

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 5602, 56th Floor,
The Center,
99 Queen's Road Central,
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

**Codan Trust Company (Cayman) Limited**
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

**Tricor Investor Services Limited**
22/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## PRINCIPAL BANK

**OCBC Bank Hong Kong Branch**
9th Floor
9 Queen's Road Central
Hong Kong

## COMPANY WEBSITE

www.caa-resources.com

## STOCK CODE

02112

# Management Discussion and Analysis

The board (the "**Board**") of directors (the "**Director(s)**") of CAA Resources Limited ("**CAA Resources**" or the "**Company**"), and together with its subsidiaries, the "**Group**") is pleased to present the interim report of the Group for the six months ended 30 June 2017 ("**Period**").

The Company acts as an investment holding company, and its principal business activities are iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products and other commodities. There were no significant changes in the nature of the Group's principal activities during the Period. The primary mining asset of the Group is the iron-ore reserves in Ibam Mine, which is located in the State of Pahang, Malaysia.

In consideration of the fluctuation of iron ore price and low cost efficiency of self-production, primary activities in exploration, mining, crushing and beneficiation at the Ibam Mine was suspended during the Period. As such, no mining volume and production volume was recorded for the six months ended 30 June ("**H1**") 2017 (2016 H1: 67.4 thousand tonnes ("**Kt**") and 16.2 Kt respectively).

The Group will try different methods to diversify the business portfolio. Strategies included but not limited to conducting suitable mergers and acquisitions of other businesses so that the scope of businesses becomes more diversified. This will bring opportunities to the sustainable development of the Group in the long term. As disclosed in the announcement dated 14 June 2017, the Company is in negotiation with China Commercial Foreign Trade Chengdu Corporation Limited (中商外貿成都有限公司) with respect to cooperating on a large-scale commercial trade centre project (the "**Potential Project**") located at Longquanyi District of Chengdu city. On 11 July 2017, the Company entered into a memorandum of understanding (the "**MOU**") for the proposed acquisition (the "**Proposed Acquisition**") of part of the issued share capital of a company established in the People's Republic of China (the "**Target Company**"). The Target Company operates a large-scale commercial trade centre located at the "Sino-France Ecological Park of Chengdu" in Chengdu, China. For further details, please refer to the announcements of the Company dated 14 June 2017 and 11 July 2017 respectively.

## MARKET REVIEW

According to the Institute of Statistical Science of the National Bureau of Statistics of China, in 2016, the world economy was under difficult recovery and the Chinese domestic deep-seated contradictions were highlighted. China successfully resisted the economic downward pressure. Investment and consumption growth was basically stable. The overall industrial operation trend tends to improve. Industrial prices was getting better and consumer prices rose modestly. Gross domestic product ("**GDP**") growth of 6.7% throughout the year of 2016 signified a good start of the "Thirteenth Five Year Plan" a good start. In 2017, with the structural reform of the supply side economy, it is expected that the economy will continue to develop in depth and the positive factors of stable economy will continue to accumulate, that the Chinese economy will continue to run in a reasonable range in 2017, and that the annual GDP is expected to maintain more than 6.5% in the medium-to-high-speed growth. Meanwhile, the international iron ore price was fluctuating during the first half of 2017. In early 2017, international iron ore price continued the strong market of late 2016. Price of iron ore reached its peak in March 2017 and then all the way down until it touched USD54 in June 2017.

# Management Discussion and Analysis

The market supply of iron ore has not decreased significantly whereas the price has risen sharply since 2016. It was because the inventory of high-grade iron ore continued to fall and the demand on high-grade iron ore products persisted. This reflected in a slightly increase in the Group's gross profit margin during the first half of 2017 from 1.1% to 1.2%.The reliance on imported iron in China for the first quarter of 2017 hits it record high at 86.6% (full year of 2016: 84.0%). The Platts 62% Iron Ore Index decreased by 20.9% from USD79.65 on 30 December 2016 to USD63.0 on 30 June 2017 after continuous fluctuation during the Period. Certain analysis on iron ore market in China possessed a neutral to positive outlook since the demand on iron ore market remained stable. Profits for steel mills continued to improve while the demand and supply in iron ore market maintained a weak equilibrium.

## BUSINESS & OPERATIONS REVIEW

### Operating Results

The Group's financial performance has been negatively affected under the impact of decrease in sales volume although the gross profit margin was slightly improved during the Period under review.

During the Period under review, the Group recorded a year-on-year decrease of 36.0% in sales volume and sold 7,070Kt iron ore products on dry basis (2016 H1: 11,046 Kt) with an average iron content of 62%. The decrease was largely attributable to the decrease in sales of iron ore products and other commodities during the Period under review. In the first half of 2017, the Group has reported sales revenue of USD612.8 million for sales of iron ore products and other commodities (2016 H1: USD659.5 million), representing an decrease of USD46.7 million or 7.1% compared to the same period last year. However, dragged by the rebounding of international iron ore price, the average selling price of the Group's iron ore products had reached USD81.2 per tonne on dry basis over the Period under review (2016 H1: USD52.6 per tonne).

The Group's sales in the first half of 2017 were mainly from the sale of iron ore products which represented 93.6% of total sales revenue (2016 H1: 88.1%). The decrease in sales quantity of trading of iron ore products and other commodities leads to the Group's gross profit decreasing by 1.4% to USD7.3 million (2016 H1: USD7.4 million). Gross profit margin raised to 1.2% (2016 H1: 1.1%).

Profit for the Period decreased by 50.0% to USD2.9 million from USD5.8 million, and earnings per share was 0.19 US cents (2016 H1: 0.39 US cents) which was largely due to increase in finance costs arising from the interest for senior notes and decrease in "Other income and gains" from interest income and the unrealized foreign exchange gains arising from the translation of Ringgit Malaysia ("**RM**") to USD.

### Project Ibam operation update

As at 30 June 2017, the Group owned 5 beneficiation lines, and 2 crushing lines. During the Period under review, no mining volume and production volume was recorded due to the temporary suspension of mining activities in the first half of 2017 (2016 H1: 67.4 Kt and 16.2 Kt respectively).

There was no exploration and development activities for the six months ended 30 June 2017.

### Business Strategy

The volatility of international iron ore price during the Period was huge from as low as USD54.0 to the peak of USD95.1. The long-term price trend is uncertain which render the decision on resumption of production difficult. As such, the Group continued its strategic focus on trading of iron ore and other commodities.

Diversification of income source has been the Group's major strategy to maximize the Shareholders value. As disclosed in the announcement dated 14 June 2017, the Company is in negotiation with China Commercial Foreign Trade Chengdu Corporation Limited (中商外貿成都有限公司) with respect to cooperating on the Potential Project located at Longquanyi District of Chengdu city. On 11 July 2017, the Company entered into the MOU for the Proposed Acquisition of part of the issued share capital of the Target Company. The Target Company operates a large-scale commercial trade centre located at the "Sino-France Ecological Park of Chengdu" in Chengdu, China. For further details, please refer to the announcements of the Company dated 14 June 2017 and 11 July 2017 respectively. Save as disclosed herein, the Company does not have any future plan for significant acquisition, disposal and investment during the Period and as at the date of this interim report.

Looking ahead, the Group expects to continue to focus on trading of iron ore and other commodities, while endeavouring to diversify income sources.

## REVENUE AND COST OF GOODS SOLD

### Revenue

During the six months ended 30 June 2017, the Group's revenue arising from sales of iron ore and other commodities reached approximately USD612.8 million, about 7.1% lower than USD659.5 million recorded in the same period in 2016. The decrease in revenue was mainly due to the decreased in sales quantity of trading of iron ore products, pig iron, copper cathodes and nickel cathodes.

### Cost of Sales

During the six months ended 30 June 2017, the Group's cost of sales reached approximately USD605.5 million, about 7.1% lower than approximately USD652.1 million recorded in the same period in 2016. The cost of sales comprises purchase costs of iron ore products and other commodities from trading activities for the amount of USD605.5 million (2016 H1: 651.6 million). No iron ore production costs were recorded during the Period (2016 H1: USD0.5 million). Iron ore production cost recorded in 2016 H1 mainly represented mining fee and service fee to mining contractor who mined and produced iron ore products recorded during 2016 H1. The decrease in cost of sales was in line with the decrease in products sold during the Period under review.

### Gross profit

During the six months ended 30 June 2017, the Group's gross profit reached approximately USD7.3 million, about 1.4% lower than approximately USD7.4 million recorded in the same period in 2016. The decrease in gross profit was due to the decrease of trading volume of iron ore despite the fact that the average selling price of iron ore products was increased from USD52.6 per tonne to USD81.2 per tonne.

## ADMINISTRATIVE EXPENSE

During the six months ended 30 June 2017, the Group's administrative expenses reached approximately USD2.7 million, about 17.4% higher than USD2.3 million recorded in the same period in 2016. The increase was mainly due to increase in remuneration of directors, salary paid to senior management, entertainment and professional fees.

## OTHER EXPENSES

During the six months ended 30 June 2017, the Group's other expenses reached approximately USD0.6 million, about 25.0% lower than USD0.8 million recorded in the same period in 2016. The decrease was mainly due to unrealized foreign exchange gains arising from the translation of RM to USD at the Period end date was lesser than the same period last year.

## FINANCE COSTS

During the six months ended 30 June 2017, the Group's finance costs reached approximately USD2.5 million, about 127.3% higher than USD1.1 million recorded in the same period in 2016. The increase was mainly due to (i) interest expense for the senior notes issued of USD1.7 million (2016 H1: nil) and (ii) no interest expense incurred for loan from Cosmo Field was recorded during the Period under review (2016 H1: USD0.4 million). For further details of the senior notes, please refer to "Senior Notes" in this interim report.

## PROPERTY, PLANT AND EQUIPMENT ("PPE")

The Group's PPE mainly consisted of machinery, mines properties and vehicles. As at 30 June 2017, the Group's PPE reached to approximately USD4.6 million, representing about 4.2% decrease from USD4.8 million as at 31 December 2016. The decrease was mainly due to the depreciation, foreign exchange alignment recorded between RM and USD.

## INTANGIBLE ASSETS

As at 30 June 2017, the Group's intangible assets amounted to approximately USD12.3 million, representing a 4.2% increase from approximately USD11.8 million as at 31 December 2016. The increase was mainly due to foreign exchange alignment after offset by the amortization charged for the Period. The intangible assets comprised the mining rights and reserves of Ibam Mine.

## AVAILABLE-FOR-SALE INVESTMENTS

The unlisted equity investments represented the Group's investments in Fortune Union Financial Holdings (Asia Pacific) Limited ("**Fortune Union**") and Shenzhen Gongxinying Financial Information Service Co., Ltd. ("**Shenzhen Gongxinying**"). Fortune Union, whose indirect wholly owned subsidiaries are currently engaged in the equipment lease business, and has a certain market share in the micro credit market in Chongqing China. Shenzhen Gongxinying is a company incorporated in Shenzhen China engaged in internet finance. Unlisted equity investments in both Fortune Union and Shenzhen Gongxinying are stated at fair value. The Group does not intend to dispose of the investment in the near future.

## TRADE RECEIVABLES

The Group's trade receivables decreased by 20.3%, from approximately USD91.9 million as at 31 December 2016 to approximately USD76.4 million as at 30 June 2017 which was mainly due to decrease in sales. Trade receivable turnover days were approximately 25 days (2016: 15 days). The longer trade receivable turnover days was recorded due to the increase in settlement by tele-transfer of which credit period was granted.

Major customers were granted credit on open account basis or allowed to settle by documentary letter of credit. Overdue balances are reviewed regularly by senior management, if any. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 30 June 2016, all trade receivables of the Group, based on the sales recognition date, were aged within six months and were neither past due nor impaired.

## PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2017, the Group's prepayments, deposits and other receivables amounted to approximately USD120.4 million (31 December 2016: approximately USD19.1 million). The significant increase was mainly due to the prepayments made to a total of four commodities suppliers ("**Suppliers**") as prepayments or deposits to secure competitive purchase price and reliable supply for our commodities trading activities. During the year ended 31 December 2016, all of the Suppliers were top ten suppliers of the Group in terms of transaction amounts.

## TRADE PAYABLES

Trade payables mainly consisted of payables to suppliers for purchase of iron ore products and other commodities for trading activities. As at 30 June 2017, the Group's trade payables decreased to approximately USD0.5 million, representing about 97.9% decrease from USD24.3 million as at 31 December 2016. The decrease was mainly due to substantial decrease in purchase concluded in the months of May and June 2017 while trade payables brought down from previous months were largely settled.

## OTHER PAYABLES AND ACCRUALS

As at 30 June 2017, the Group's other payables and accruals amounted to approximately USD62.5 million, about 18.6% higher than approximately USD52.7 million as at 31 December 2016. The increase was mainly due to a further increase in amount due to Cosmo Field for the amount of USD10 million to USD60 million (31 December, 2016: USD50 million).

## SENIOR NOTES

The amount represented subscription notes issued on 20 September 2016. The senior notes were recorded at the amortised cost using the effective-interest method after deducting of issuance costs at the issue date. The senior notes were reclassified as current liability as at 30 June 2017 and non-current liability as at 31 December 2016. For further details, please refer to the announcement dated 20 September 2016.

### Disclosure pursuant to Rule 13.21 of the Listing Rules

On 20 September 2016, the Company as issuer, entered into a subscription agreement with an independent third party institution (the "**Subscriber**") pursuant to which the Company agrees to issue and the Subscriber agrees to subscribe for the subscription notes ("**Senior Notes**") in the principal amount of HK$164,865,750 with a final redemption date falling 18 months after the date of issue. Pursuant to the terms of the Notes, it will be an event of default if, among others, (i) Mr. Li Yang ("**Mr. Li**", the chairman and Controlling Shareholder of the Company) fails to remain the Controlling Shareholder (as defined in the Listing Rules) of the Company; or (ii) Mr. Li ceases to be the chairman of the Company. Upon and at any time after the occurrence of an event of default, the Subscriber may give notice to the Company that one or more of the Notes shall become immediately due and repayable with all accrued interests. As at the date of this interim report, the Company has been paying interest for the Senior Notes punctually and expects to settle the principal upon expiry of the 18-month term. For further details, please refer to the announcement dated 20 September 2016.

Mr. Li Yang and his father have provided guarantee with respect to the Notes for which the Group is not required to provide any consideration. The aforesaid guarantees are fully exempted connected transactions.

## LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The total equity of the Group as at 30 June 2017 was approximately USD106.0 million (31 December 2016: USD102.6 million). The Group generally finances its operation with internally generated cash flow, interest-bearing borrowings and loan from Cosmo Field. Primary uses of funds during the Period included the payment of iron ore purchase and operating expenses. As at 30 June 2017, current assets of approximately USD205.7 million comprised USD196.9 million in trade and other receivables, and USD8.9 million in cash and bank balances. Current liabilities of approximately USD142.7 million mainly comprised USD63.0 million in trade and other payables, USD53.9 million in interest-bearing bank and other borrowing, USD20.5 million in senior notes issued, and USD5.3 million in tax payables. Current ratio, being total current assets to total current liabilities was 1.4 as at 30 June 2017 (31 December 2016: 1.7).

## CAPITAL STRUCTURE

The Group is currently funding its capital expenditure through internal funds generated from its operations, new bank borrowings and loan from Cosmo Field. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank and other borrowings and an amount due to Cosmo Field, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company.

The Group's gearing ratio as at 30 June 2017 was 18.3% (31 December 2016: 14.9%).

The Group continuously conducted its operational business mainly in USD. The Group did not arrange any forward currency contracts for hedging purposes.

## CONTINGENT LIABILITIES

As at 30 June 2017, neither the Group nor the Company had any significant contingent liabilities.

## INTEREST RATE RISK

The Group's income and operating cash flows were not substantially affected by changes in market interest rates. The Group has no significant interest-bearing assets, except for cash and bank balances. The Group had no significant interest rate exposure arising from all of its interest-bearing loans since the interest rate was fixed. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

## CHARGE ON ASSETS

Save for the vehicle registrations cards, machinery, trade receivables and bank balances pledged for bank and other loans as disclosed in note 9 to the unaudited condensed consolidated financial statements, the Group did not have any pledges on its assets as at 30 June 2017.

## EMPLOYEES AND REMUNERATION POLICIES

The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. As at 30 June 2017, the Group had 47 employees (30 June 2016: 51). For the six months ended 30 June 2017, total staff cost including directors' emolument amounted to approximately USD1.0 million (six months ended 30 June 2016: USD0.8 million). The increase in total staff cost was due to the increment of remuneration of directors and other employees as well as employment of newly-added management personnel during the Period under review.

The Group's remuneration policies are in line with prevailing market practices and are determined on the basis of the performance and experience of the individual. The Group has constantly been reviewing the staff remuneration package to ensure it is competitive as compared to other peers in the industry.

# Other Information

## RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 30 JUNE 2017

**Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2017** *(Note)*:

| Classification | Quantity (million tonnes) | Fe Grade (%) |
|---|---|---|
| Measured | 108 | 46.7 |
| Indicated | – | – |
| Inferred | 42 | 46.4 |
| Total | 150 | 46.6 |

**Ore reserves of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2017:**

| Classification | Quantity (million tonnes) | Fe Grade (%) |
|---|---|---|
| Proved | – | – |
| Probable | 102 | 44.7 |

*Note:* The figures were calculated by the resource and reserves as at 31 December 2013 under the JORC Code (confirmed by Geos Mining Minerals Consultants, Australia which is a specialist independent geological and mineral exploration consultant) less the mining volume since then.

All assumptions and technical parameters set out in the technical report of Geos Mining (the "**Independent Technical Adviser**") which is prepared under JORC Code as shown in the prospectus of the Company dated 20 June 2013 with respect to the Ibam Mine have not been materially changed and continued to apply to the above disclosed data.

## EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During the six months ended 30 June 2017, no exploration and development activities were carried out. The Group did not incur any investment in equipment upgrade during the six months ended 30 June 2017.

During the Period under review, no mining volume and production volume were recorded since the mining activities has been temporarily suspended (2016 H1: 67.4 Kt and 16.2 Kt respectively).

## CAPITAL EXPENDITURE

During the six months ended 30 June 2017, the Company did not incur any material capital expenditure for the purchase or upgrade of PPE and payments in advance. The cost of PPE was increased by USD0.4 million was mainly due to additional PPE of approximately USD3 thousands and foreign currency translation differences amounting to USD0.4 million.

## SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

During the Period, the Company did not make any significant acquisition and investments. As disclosed in the announcement dated 14 June 2017, the Company is in negotiation with China Commercial Foreign Trade Chengdu Corporation Limited (中商外貿成都有限公司) with respect to cooperating on the Potential Project located at Longquanyi District of Chengdu city. On 11 July 2017, the Company entered into the MOU for the Proposed Acquisition of part of the issued share capital of the Target Company. The Target Company operates a large-scale commercial trade centre located at the "Sino-France Ecological Park of Chengdu" in Chengdu, China. For further details, please refer to the announcements of the Company dated 14 June 2017 and 11 July 2017 respectively. Save as disclosed herein, the Company does not have any future plan for significant acquisition, disposal and investment during the Period and as at the date of this interim report.

## RELATED PARTY TRANSACTIONS

Details of the related party transaction as stated in note 22 to the financial statements comprise: (i) a further interest-free loans from Cosmo Field, the controlling shareholder of the Company, for the amount of USD10 million, while the principal amount of the interest-free loan from Cosmo Field to the Company amounts to USD60 million as at 30 June 2017, all of which are interest-free, security free and fully exempted connected transactions; (ii) compensation of key management personnel of the Group paid by a related party for the amount of USD0.5 million.

### Purchase, sale or redemption of the Company's listed securities

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the company's listed securities.

### Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange (the "**CG Code**") during the six months ended 30 June 2017 except the code provision A.2.1 of the CG Code as disclosed below:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Li Yang has been both the chairman of the Board (the "**Chairman**") and the chief executive officer of the Company (the "**Chief Executive Officer**"), therefore, the Group does not at present separate the roles of the Chairman and the Chief Executive Officer.

# Other Information

The Board considered that the structure currently operated by the Company does not undermine the balance of power and authority between the board of Directors and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board, of which Mr. Li Yang can take advantage in fulfilling his duties, and the management is not impaired. The Board believed that having the same person performing the roles of both Chairman and Chief Executive Officer can provide the Group with strong and consistent leadership and that, operating in this manner allow for more effective and efficient overall strategic planning of the Group.

Pursuant to Code A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend the general meetings of the Company. All Independent non-executive directors attended the annual general meeting of the Company held on 18 May 2017 either in person or attended by way of telephone conference.

## Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Having made specific queries to the Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the Period.

## Audit Committee and Review of Financial Statements

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Company has also complied with Rule 3.10(1) and 3.10(2) of the Listing Rules that three independent non-executive Directors including one with financial management expertise have been appointed. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to the appointment, renewal and resignation of the Company's independent auditors and the related remuneration and appointment terms. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2017. The audit committee of the Board of the Company has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2017. The financial information in the condensed consolidated financial statements of the interim results have not been audited or reviewed by the auditors of the Company.

## Remuneration Committee

The Company established a remuneration committee pursuant to a resolution of our Directors passed at a Board meeting on 12 April 2013 with effect upon the Listing. The Remuneration Committee comprises two independent non-executive Directors, namely, Dr. Wang Ling (chairman of the Remuneration Committee), Dr. Li Zhongquan and one executive Director, namely Ms. Li Xiaolan.

The duties of the Remuneration Committee mainly include making recommendations on and approving the remuneration policy and structure and remuneration packages of all Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee would make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

The Remuneration Committee has held one meeting during the Period to review and discuss the remuneration packages of management and directors to promote better managerial quality of the Group.

### Nomination Committee

The Company established a nomination committee pursuant to a resolution of our Directors passed at a Board meeting on 12 April 2013 with effect upon the Listing.

The Nomination Committee comprises one executive Director, namely, Mr. Li Yang (chairman of the Nomination Committee), and two independent non-executive Directors, namely Dr. Wang Ling and Dr. Li Zhongquan. The primary duties of the Nomination Committee include identifying suitable candidates for the Directors and making recommendations to the Board, assessing the structure and composition of the Board, preparing, making recommendations to and supervising the execution of the nominating policy of the Company.

The Nomination Committee has held one meeting during the Period. Besides, the Company has received from each of the independent non-executive Directors a confirmation of their independence as required under Rule 3.13 of the Listing Rules.

The Company considered all the independent non-executive Directors to be independent.

## CHANGE OF DIRECTORS' INFORMATION

Subsequent to the Period end date, Mr. Kong Chi Mo, an independent non-executive director, resigned from his post on 21 August 2017 in order to focus on his other business and personal commitments. Mr. Leung Yiu Cho has been appointed as an independent non-executive director of the Company with effect from 21 August 2017. For further details of Mr. Leung Yiu Cho and his term of appointment, please refer to the announcement dated 21 August 2017.

Save as disclosed above, there were no changes to the information required to be disclosed by the Directors pursuant to paragraphs (a) to (g) of Rule 13.51(2) of the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the Directors and the Chief Executive Officer of the Company had the following interests and short positions in the Shares, underlying Shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

### (i) Long positions in Shares of the Company:

| Name of Director | Nature of Interest | Number of Ordinary Shares | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Li Yang (notes 2 & 3) | Interest in controlled corporation | 843,750,000 (L) | 56.25% |
| | | 59,090,909 (S) | 3.94% |

Note:

1. The letter "L" denotes the Shareholder's long position in the share capital while the letter "S" denotes the Shareholder's short position.

2. Mr. Li beneficially owns the entire issued share capital of Cosmo Field Holdings Limited ("**Cosmo Field**"). Therefore, Mr. Li is deemed, or taken to be, interested in all the shares of the Company held by Cosmo Field for the purpose of the SFO. Mr. Li is the sole director of Cosmo Field.

3. Company has been notified that Cosmo Field have charged certain shares in favour of third parties as at the Latest Practicable Date:

   (a) The Company has been notified that 711,000,000 shares ("**Shares**") of the Company and 41,000,000 Shares which were previously charged by Cosmo Field in favour of Cheer Hope Holdings Limited, have been released on 23 September 2016 and 26 September 2016 respectively. The Company has also been notified that, Cosmo Field has charged 711,000,000 Shares and 41,000,000 Shares (collectively "Charged Shares") in favour of an independent third party institution on 23 September 2016 and 27 September 2016 respectively. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the Latest Practicable Date.

   (b) The Company has been notified that, on 22 December 2016, Cosmo Field has charged the Charged Shares (being 752,000,000 shares of the Company) in favour of an independent third party institution as a second priority lender.

### (ii) Long position in shares of the associated corporation:

| Name of Director | Nature of associated corporation | Nature of Interest | Approximate percentage of interest in the share capital of the associated corporation |
|---|---|---|---|
| Li Yang (notes 2 & 3) | Cosmo Field | Beneficial owner | 100.00% |

Save as disclosed above, as at 30 June 2017, none of the Directors nor the Chief Executive Officers of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this interim report, so far as it is known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO during the Period and up to the date of the interim report or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group were as follows:

| Substantial Shareholder | Capacity/ Nature of interest | Number of Shares | Approximate percentage of shareholdings |
|---|---|---|---|
| Cosmo Field (note 2, 3) | Beneficial owner | 843,750,000 (L) | 56.25% |
| | | 59,090,909 (S) | 3.94% |
| China Huarong International Holdings Limited | Person having a security interest in shares | 752,000,000 (L) | 50.13% |
| China Huarong Asset Management Co., Ltd. | Person having a security interest in shares | 752,000,000 (L) | 50.13% |
| Huarong Real Estate Co., Ltd. | Person having a security interest in shares | 752,000,000 (L) | 50.13% |
| Hua Heng (note 4) | Beneficial owner | 100,575,000 (L) | 6.71% |
| Yang Jun (note 4) | Interest in controlled | 100,575,000 (L) | 6.71% |
| Tang Lingyan (note 4) | Interest of a Substantial Shareholder's child under 18 or spouse | 100,575,000 (L) | 6.71% |

1. The letter "L" denotes the Shareholder's long position in the share capital while the letter "S" denotes the Shareholder's short position.

2. Mr. Li Yang beneficially owns the entire issued share capital of Cosmo Field. Therefore, Mr. Li Yang is deemed, or taken to be, interested in all the Shares of the Company held by Cosmo Field for the purpose of the SFO. Mr. Li Yang is the sole director of Cosmo Field.

3. The Company has been notified that Cosmo Field have charged certain shares in favour of third parties as at the Latest Practicable Date:

   (a) The Company has been notified that 711,000,000 shares ("Shares") of the Company and 41,000,000 Shares which were previously charged by Cosmo Field in favour of Cheer Hope Holdings Limited, have been released on 23 September 2016 and 26 September 2016 respectively. The Company has also been notified that, Cosmo Field has charged 711,000,000 Shares and 41,000,000 Shares (collectively "Charged Shares") in favour of an independent third party institution on 23 September 2016 and 27 September 2016 respectively. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the Latest Practicable Date.

   (b) The Company has been notified that, on 22 December 2016, Cosmo Field has charged the Charged Shares (being 752,000,000 shares of the Company) in favour of an independent third party institution as a second priority lender.

4. Tang Lingyan is the spouse of Mr. Yang Jun. Mr. Yang Jun beneficially owns the entire issued share capital of Hua Heng. Therefore, Tang Lingyan is deemed, or taken to be, interested in all the Shares of the Company held by Hua Heng for the purpose of the SFO. Mr. Yang Jun is the sole director of Hua Heng.

Save as disclosed above, as at 30 June 2017, no other person had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

As at the date of this interim report, there was no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

# Other Information

## SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Shareholders by way of written resolution on 12 April 2013 for the purpose of attracting and retaining the best available personnel; providing additional incentive to employees (full-time and part-time), Directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group; and to promoting the success of the business of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The period of Share Option Scheme commences on 12 April 2013 and will expire at the close of business on the business day immediately preceding the tenth anniversary thereof on 11 April 2023.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fallen within the period before listing.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.00.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The maximum number of unexercised share options currently permitted to be granted under the Company's Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time (being 150,000,000 Shares, representing 10% of the total issued shares of the Company as at 30 June 2017). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting. During the six months ended 30 June 2017, the Company may grant options in respect of up to 150,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the six months ended 30 June 2017. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 30 June 2017.

## REVIEW OF INTERIM CONDENSED FINANCIAL INFORMATION

The audit committee of the Board of the Company has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2017. The financial information in the condensed consolidated financial statements of the interim report have not been audited or reviewed by the auditors of the Company.

## INTERIM DIVIDEND

The Board of Directors resolved not to distribute any interim dividend for the Period (2016: nil).

By order of the Board
**CAA Resources Limited**
**Li Yang**
*Chairman and Chief Executive Officer*

Hong Kong, 29 August 2017

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

*For the six months ended 30 June 2017*

| | Notes | For the six months ended 30 June 2017 USD'000 (Unaudited) | 2016 USD'000 (Unaudited) |
|---|---|---|---|
| **REVENUE** | 3, 4 | **612,773** | 659,521 |
| Cost of sales | | **(605,478)** | (652,148) |
| **Gross profit** | | **7,295** | 7,373 |
| Other income and gains | | **2,341** | 3,491 |
| Administrative expenses | | **(2,687)** | (2,289) |
| Other expenses | | **(606)** | (792) |
| Finance costs | 5 | **(2,455)** | (1,120) |
| **PROFIT BEFORE TAX** | 6 | **3,888** | 6,663 |
| Income tax expense | 7 | **(966)** | (865) |
| **PROFIT FOR THE PERIOD** | | **2,922** | 5,798 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of foreign operations | | **290** | 617 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **3,212** | 6,415 |
| Earnings per share attributable to ordinary equity holders of the Company: | | | |
| Basic and diluted (US cents) | 8 | **0.19** | 0.39 |

# Interim Consolidated Statement of Financial Position

*30 June 2017*

| | Notes | 30 June 2017 USD'000 (Unaudited) | 31 December 2016 USD'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 9 | **4,560** | 4,816 |
| Mining rights and reserves | 9 | **12,273** | 11,782 |
| Available-for-sale investments | 10 | **24,160** | 23,884 |
| Goodwill | 11 | **6,426** | 6,172 |
| Deferred tax assets | | **242** | 232 |
| **Total non-current assets** | | **47,661** | 46,886 |
| **CURRENT ASSETS** | | | |
| Trade receivables | 12 | **76,442** | 91,918 |
| Prepayments, deposits and other receivables | 13 | **120,434** | 19,055 |
| Pledged deposits | 14 | **7,175** | 11,044 |
| Cash and cash equivalents | 14 | **1,678** | 74,922 |
| **Total current assets** | | **205,729** | 196,939 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 15 | **504** | 24,268 |
| Other payables and accruals | 16 | **62,484** | 52,707 |
| Interest-bearing bank and other borrowings | 17 | **53,874** | 33,715 |
| Senior notes | 18 | **20,547** | – |
| Tax payable | | **5,258** | 5,802 |
| **Total current liabilities** | | **142,667** | 116,492 |
| **NET CURRENT ASSETS** | | **63,062** | 80,447 |
| **Total assets less current liabilities** | | **110,723** | 127,333 |
| **NON-CURRENT LIABILITIES** | | | |
| Senior notes | 18 | **–** | 20,213 |
| Interest-bearing bank and other borrowings | 17 | **11** | 23 |
| Deferred tax liabilities | | **4,376** | 4,193 |
| Provision for rehabilitation | | **366** | 353 |
| **Total non-current liabilities** | | **4,753** | 24,782 |
| **Net assets** | | **105,970** | 102,551 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | | **1,934** | 1,934 |
| Reserves | | **104,036** | 100,617 |
| **Total equity** | | **105,970** | 102,551 |

**Li Yang**
*Director*

**Li Xiaolan**
*Director*

# Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2017*

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital USD'000 | Share premium USD'000 | Capital reserve USD'000 | Contributed surplus USD'000 | Available-for- sale investment revaluation reserve USD'000 | Exchange fluctuation reserve USD'000 | Retained earnings USD'000 | Total USD'000 |
| At 1 January 2016 | 1,934 | 47,541 | 14,956 | 50 | – | (5,788) | 35,278 | 93,971 |
| Profit for the period | – | – | – | – | – | – | 5,798 | 5,798 |
| Other comprehensive income for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations | – | – | – | – | – | 617 | – | 617 |
| Total comprehensive income for the period | – | – | – | – | – | 617 | 5,798 | 6,415 |
| At 30 June 2016 (Unaudited) | 1,934 | 47,541 | 14,956 | 50 | – | (5,171) | 41,076 | 100,386 |
| At 1 January 2017 | **1,934** | **47,541*** | **14,956*** | **50*** | **4,413*** | **(5,966)*** | **39,623*** | **102,551** |
| Profit for the period | **–** | **–** | **–** | **–** | **–** | **–** | **2,922** | **2,922** |
| Other comprehensive income for the period: | | | | | | | | |
| Changes in fair value of available-for-sale investments, net of tax | **–** | **–** | **–** | **–** | **207** | **–** | **–** | **207** |
| Exchange differences on translation of foreign operations | **–** | **–** | **–** | **–** | **–** | **290** | **–** | **290** |
| Total comprehensive income for the period | **–** | **–** | **–** | **–** | **–** | **290** | **2,922** | **3,419** |
| At 30 June 2017 (Unaudited) | **1,934** | **47,541*** | **14,956*** | **50*** | **4,620*** | **(5,676)*** | **42,545*** | **105,970** |

* These reserve accounts comprise the consolidated reserves of USD104,036,000 (31 December 2016: USD100,617,000) in the consolidated statement of financial position.

# Interim Consolidated Statement of Cash Flows

*For the six months ended 30 June 2017*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | Notes | **2017** **USD'000** **(Unaudited)** | 2016 USD'000 (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | **3,888** | 6,663 |
| Adjustments for: | | | |
| Finance costs | 5 | **2,455** | 1,120 |
| Unrealised foreign exchange gains | | **(832)** | (1,475) |
| Interest income | | **(1,535)** | (2,015) |
| Loss on disposal of items of property, plant and equipment | | **–** | 59 |
| Depreciation | | **440** | 492 |
| Amortisation of intangible assets | | **11** | 11 |
| | | **4,427** | 4,855 |
| Decrease/(increase) in trade receivables | | **15,476** | (18,246) |
| Decrease in inventories | | **–** | 21,855 |
| Decrease/(increase) in prepayments, deposits and other receivables | | **(100,944)** | 87 |
| Increase/(decrease) in trade payables | | **(23,764)** | 3,214 |
| Decrease in other payables and accruals | | **(252)** | (34) |
| Decrease in an amount due from a related party | | **–** | 10 |
| Cash generated from/(used in) operations | | **(105,057)** | 11,741 |
| Interest received | | **1** | – |
| Income tax paid | | **(1,517)** | (1,576) |
| Net cash flows from/(used in) operating activities | | **(106,573)** | 10,165 |

# Interim Consolidated Statement of Cash Flows

*For the six months ended 30 June 2017*

| | Notes | For the six months ended 30 June 2017 USD'000 (Unaudited) | 2016 USD'000 (Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **1,347** | 1,640 |
| Purchase of items of property, plant and equipment | | **(3)** | (6) |
| Proceeds from disposal of items of property, plant and equipment | | **–** | 32 |
| Decrease/(increase) in pledged deposits | | **3,869** | (3,108) |
| Advances of loans to third parties | | **(18,500)** | (15,000) |
| Collection of loans previously advanced to third parties | | **18,500** | 10,000 |
| Net cash flows from/(used in) in investing activities | | **5,213** | (6,442) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Loans from the ultimate holding company | | **10,000** | – |
| Capital element of hire purchase arrangements payments | | **(32)** | (52) |
| New bank loans | | **139,549** | 61,679 |
| Repayment of bank loans | | **(119,370)** | (54,721) |
| Interest paid | | **(2,220)** | (477) |
| Net cash flows from financing activities | | **27,927** | 6,429 |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **(73,433)** | 10,152 |
| Cash and cash equivalents at beginning of period | | **74,922** | 27,664 |
| Effect of foreign exchange rate changes, net | | **189** | (7) |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 14 | **1,678** | 37,809 |

## 1. CORPORATE INFORMATION

CAA Resources Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 5602, 56th Floor, The Centre, 99 Queen's Road Central, Hong Kong.

During the six months ended 30 June 2017 (the "**Period**"), the Company and its subsidiaries (together, the "**Group**") were principally engaged in the business of mining, ore processing, sale of iron ore products and other commodities mainly to steel manufacturers and/or their respective purchase agents in Mainland China as well as investment holding. There were no significant changes in the nature of the Group's principal activities during the Period.

In the opinion of the directors of the Company (the "**Directors**"), the holding company and the ultimate holding company of the Company is Cosmo Field Holdings Limited ("**Cosmo Field**"), which was incorporated in the British Virgin Islands (the "**BVI**").

## 2.1 BASIS OF PREPARATION

The unaudited interim condensed financial information for the Period has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The unaudited interim condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

## 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies adopted in the preparation of this interim condensed financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except for the adoption of the following amendments to a number of International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board for the first time for financial year beginning 1 January 2017.

| | |
|---|---|
| Amendments to IAS 7 | *Disclosure Initiative* |
| Amendments to IAS 12 | *Recognition of Deferred Tax Assets for Unrealised Losses* |
| Amendments to IFRS 12 including in *Annual Improvements 2014-2016 Cycle* | *Clarification of the Scope of the Standard* |

The adoption of these amendments to IFRSs has had no significant financial effect on the financial position or performance of the Group.

## 3. OPERATING SEGMENT INFORMATION

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

**Six months ended 30 June 2017**

| | Mine operation USD'000 | Commercial trade USD'000 | Financing operation USD'000 | Total segments USD'000 | Adjustments USD'000 | Consolidated USD'000 |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customer | **–** | **612,773** | **–** | **612,773** | **–** | **612,773** |
| Total revenue | **–** | **612,773** | **–** | **612,773** | **–** | **612,773** |
| Results | | | | | | |
| Segment profit | **159** | **3,132** | **1,345** | **4,636** | **(748)** | **3,888** |

**Six months ended 30 June 2016**

| | Mine Operation USD'000 | Commercial trade USD'000 | Financing operation USD'000 | Total segments USD'000 | Adjustments USD'000 | Consolidated USD'000 |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| External customer | 522 | 658,999 | – | 659,521 | – | 659,521 |
| Total revenue | 522 | 658,999 | – | 659,521 | – | 659,521 |
| Results | | | | | | |
| Segment profit | 209 | 4,696 | 1,617 | 6,522 | 141 | 6,663 |

## 3. OPERATION SEGMENT INFORMATION (continued)

The following table presents the information of assets and liabilities for the Group's operating segments as at 30 June 2017 and 31 December 2016, respectively:

| | Mine Operation USD'000 | Commercial trade USD'000 | Financing operation USD'000 | Total segments USD'000 | Adjustments USD'000 | Consolidated USD'000 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| **30 June 2017** | **28,929** | **189,367** | **32,660** | **250,956** | **2,434** | **253,390** |
| 31 December 2016 | 30,519 | 104,317 | 32,384 | 167,220 | 76,605 | 243,825 |
| Liabilities | | | | | | |
| **30 June 2017** | **1,598** | **135,571** | **–** | **137,169** | **10,251** | **147,420** |
| 31 December 2016 | 1,638 | 128,946 | – | 130,584 | 10,690 | 141,274 |

### Adjustments

Certain administrative expenses, interest income on bank deposits and net foreign exchange are not allocated to individual segments as these are managed on an overall group basis. These are included in adjustments in the segment disclosures.

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **USD'000** | USD'000 |
| Reconciliation of profit | **(Unaudited)** | (Unaudited) |
| Segment profit | **4,636** | 6,522 |
| Corporate and other unallocated expenses and income | **(1,554)** | (1,334) |
| Foreign exchange gains, net | **806** | 1,475 |
| Profit before tax | **3,888** | 6,663 |

## 4. REVENUE

Revenue represents the net invoiced value of goods sold. An analysis of revenue from sales of goods is as follows:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **USD'000** | USD'000 |
| | **(Unaudited)** | (Unaudited) |
| Iron ore products | **573,796** | 581,118 |
| Copper cathodes | **28,430** | 36,706 |
| Nickel cathodes | **10,547** | 31,591 |
| Others | **–** | 10,106 |
| | **612,773** | 659,521 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | Notes | **USD'000** | USD'000 |
| | | **(Unaudited)** | (Unaudited) |
| Interest on senior notes | 18 | **1,696** | – |
| Interest on bank loans | | **745** | 731 |
| Unwinding of discount on provision | | **13** | 13 |
| Interest on hire purchase arrangements | | **1** | 17 |
| Notional Interest on loan from the ultimate holding company | | **–** | 359 |
| | | **2,455** | 1,120 |

## 6. PROFIT BEFORE TAX

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

| | | For the six months ended 30 June | |
|---|---|---|---|
| | Notes | **2017 USD'000 (Unaudited)** | 2016 USD'000 (Unaudited) |
| Cost of inventories sold | | **605,478** | 652,148 |
| Employee benefit expense (including Directors' and chief executive's remuneration) | | **1,013** | 815 |
| Depreciation | 9 | **440** | 492 |
| Amortisation of intangible assets | 9 | **11** | 11 |
| Depreciation and amortisation expenses | | **451** | 503 |
| Minimum lease payments in respect of: | | | |
| Motor vehicles | | **73** | 62 |
| Office | | **124** | 111 |
| Auditors' remuneration | | **98** | 90 |
| Interest income* | | **(1,535)** | (2,015) |
| Foreign currency gains, net* | | **(806)** | (1,475) |
| Loss on disposal of items of property, plant and equipment** | | **–** | 59 |

* These are included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income during the Period.

** It is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income during the Period.

## 7. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group was not subject to any income tax in the Cayman Islands and BVI.

No provision for Singapore and PRC corporate income tax has been provided as the Company's subsidiaries located in Singapore and Mainland China had no assessable profits derived or earned in Mainland China and Singapore during the Period.

Pursuant to the income tax rules and regulations in Malaysia, the subsidiaries located in Malaysia were liable to Malaysia corporate income tax at a rate of 24% (six months ended 30 June 2016: 24%) on the assessable profits generated during the Period.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the assessable profits arising in Hong Kong during the Period.

The major components of income tax expense are as follows:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **USD'000** | USD'000 |
| | **(Unaudited)** | (Unaudited) |
| Current – Hong Kong | | |
| Charge for the period | **841** | 879 |
| Underprovison in prior year | **132** | – |
| Deferred | **(7)** | (14) |
| Total tax charge for the period | **966** | 865 |

## 8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the Period attributable to owners of the Company, and the number of ordinary shares of 1,500,000,000 (30 June 2016: 1,500,000,000) in issue during the Period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2016 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

## 9. PROPERTY, PLANT AND EQUIPMENT, AND MINING RIGHTS AND RESERVES

Movements in property, plant and equipment, and mining rights and reserves during the Period are as follows:

| | **Property, plant and equipment USD'000** | **Mining rights and reserves USD'000** |
|---|---|---|
| Carrying amounts at 1 January 2017 | **4,816** | **11,782** |
| Additions | **3** | **–** |
| Depreciation/amortisation charged for the Period (note 6) | **(440)** | **(11)** |
| Exchange realignment | **181** | **502** |
| Carrying amounts at 30 June 2017 (unaudited) | **4,560** | **12,273** |

As at 30 June 2017, motor vehicles and machinery with an aggregate net carrying amount of approximately USD6,000 (31 December 2016: USD6,000) were held under hire purchase arrangements entered into by the Group (note 17(b)).

## 10. AVAILABLE-FOR-SALE INVESTMENTS

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Unlisted equity investments, at fair value | **24,160** | 23,884 |

During the Period, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to USD276,000 (2016: USD5,884,000).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity dates or coupon rates. The Group does not intend to dispose of the investments in the near future.

## 11. GOODWILL

| | USD'000 |
|---|---|
| Cost and net carrying amount at 1 January 2017 | 6,172 |
| Exchange realignment | 254 |
| Cost and net carrying amount at 30 June 2017 (unaudited) | 6,426 |

### Impairment testing of goodwill

The Group determines whether goodwill is impaired at least on an annual basis or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Given the fact that the iron ore product market remained volatile during the Period, management has performed impairment assessment on the goodwill as at 30 June 2017. For impairment assessment purpose, goodwill acquired through business combinations is allocated to the iron ore cash-generating unit, i.e., Ibam Mine cash-generating unit for impairment testing.

The recoverable amount of Ibam Mine cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management. The pre-tax discount rate applied to the cash flow projections is 19.84% (31 December 2016: 19.84%). The growth rate used to extrapolate the cash flows of the iron ore cash-generating unit beyond the five-year period is 0% (31 December 2016: 0%) and the inflation rate is 3% (31 December 2016: 3%).

Assumptions were used in the value in use calculation of the iron ore cash-generating unit for 30 June 2017 and 31 December 2016. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Production and sales volumes* – During the Period, production at Ibam Mine has been suspended, and the Group will restart its self-production only if the market prices stable at USD65 per ton. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mine agreed by management as part of the long-term planning process. Sales volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; and the selling price of the iron ore. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates. These are then assessed to ensure they are consistent with what a market participant would estimate.

*Iron ore price* – Future iron ore prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert reports and commentaries.

*Budgeted gross margins* – Based on the average production costs achieved in the recent years, adjusted for management's expectations for possible change in the production costs and estimated market prices.

*Discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

## 12. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2017 USD'000 (Unaudited) | 31 December 2016 USD'000 |
|---|---|---|
| Within 3 months | **64,801** | 91,612 |
| 3 to 6 months | **11,499** | 306 |
| 6 months to 12 months | **142** | – |
| | **76,442** | 91,918 |

The Group normally accepts settlement by way of irrevocable letter of credit or telegraphic transfer. The Group may sometimes request customers, including its trading customers, to pay in advance upon signing sales contracts with the Group. During the Period, the Group generally granted credit periods of three to four months to its major customers. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

| | 30 June 2017 USD'000 (Unaudited) | 31 December 2016 USD'000 |
|---|---|---|
| Neither past due nor impaired | **76,300** | 91,612 |
| Less than 1 months past due | **142** | 306 |
| | **76,442** | 91,918 |

Receivables that were past due but not impaired relate to an independent customer that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of this past due balance as the receivable was expected to be collected within 2017.

Trade receivables of USD46,941,000 (31 December 2016: USD30,149,000) were pledged to banks to secure bank loans (note 17(a)).

## 13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Notes | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|---|
| Prepayments in respect of: | | | |
| – Purchase of iron ore | | **105,750** | 1,662 |
| Other receivables in respect of: | | | |
| – disposal of property, plant and equipment | (a) | **5,891** | 5,456 |
| – termination of acquisition of 60% equity interest in a company | | **–** | 2,300 |
| – interest-bearing loan to a company | (b) | **8,500** | 8,500 |
| Other prepayments and receivables | | **293** | 1,137 |
| | | **120,434** | 19,055 |

Notes:

(a) In December 2015, the Group disposed of some of its machinery in Malaysia ("**Disposed Machinery**") for an aggregate consideration of RM52,300,000 equivalent to approximately USD12,181,000 as at 31 December 2015. The aggregate consideration will be settled by two equal instalments before the end of 31 December 2016 and 31 December 2017, respectively. This receivable is non-interest-bearing and is secured by the pledge of the Disposed Machinery.

As the receivable will be collected by two instalments, the Group calculated the discounted value of the receivables using an imputed rate of interest of 6.85% per annum, analysed into:

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Receivable to be collected: | | |
| Within one year | **5,891** | 5,456 |
| | **5,891** | 5,456 |

(b) The balance represents a loan with a principal of USD8,500,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2016: USD8,500,000), the details of which are set out in the announcement dated 24 December 2015.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

## 14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Cash and bank balances | **8,853** | 85,966 |
| Less: Pledged deposits* | **(7,175)** | (11,044) |
| Cash and cash equivalents | **1,678** | 74,922 |

* As at 30 June 2017, (i) bank deposits of USD4,702,000 (31 December 2016: USD5,790,000) were pledged to secure short-term bank loans granted to the Group (note 17(a)); and (ii) bank deposits of USD2,473,000 (31 December 2016: USD5,254,000) were pledged for the issuance of irrevocable letters of credit to the Group's suppliers.

The Group's cash and bank balances at the end of each reporting period can be further analysed as follows:

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Cash and bank balances denominated in: | | |
| United States dollars ("**USD**") | **8,633** | 76,762 |
| Hong Kong dollars ("**HKD**") | **216** | 9,188 |
| Other currencies – Ringgit Malaysia ("**RM**") and Renminbi | **4** | 16 |
| | **8,853** | 85,966 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## 15. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Within 3 months | **467** | 24,192 |
| 6 months to 12 months | **–** | 2 |
| Over 1 year | **37** | 74 |
| | **504** | 24,268 |

Trade payables are non-interest-bearing and are normally settled within 2 to 3 months.

## 16. OTHER PAYABLES AND ACCRUALS

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Due to the ultimate holding company (note 22(c)) | **60,000** | 50,000 |
| Other payables | **1,380** | 1,283 |
| Accruals | **519** | 743 |
| Advances received from customers | **482** | 676 |
| Payroll and welfare payable | **103** | 5 |
| | **62,484** | 52,707 |

All other payables of the Group are non-interest-bearing and unsecured.

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | 30 June 2017 (Unaudited) | | | 31 December 2016 | | |
|---|---|---|---|---|---|---|
| | Effective interest rate (%) | Maturity | USD'000 | Effective interest rate (%) | Maturity | USD'000 |
| **Current** | | | | | | |
| Bank loans – secured (note (a)) | **3.40-3.49** | **2017** | **47,016** | 3.02-3.18 | 2017 | 30,137 |
| Bank loans – unsecured (note (d)) | **2.2** | **2017** | **6,822** | 1.70 | 2017 | 3,522 |
| Hire purchase arrangements – secured (note (b)) | **2.36-2.54** | **2017** | **25** | 2.36-2.54 | 2017 | 25 |
| Hire purchase arrangements – unsecured (note (c)) | **–** | **2017** | **11** | – | 2017 | 31 |
| | | | **53,874** | | | 33,715 |
| **Non-current** | | | | | | |
| Hire purchase arrangements – secured (note (b)) | **2.36-2.47** | **2018-2020** | **11** | 2.36-2.47 | 2018-2020 | 23 |
| | | | **11** | | | 23 |
| | | | **53,885** | | | 33,738 |

**Analysed into:**

| | 30 June 2017 USD'000 (Unaudited) | 31 December 2016 USD'000 |
|---|---|---|
| *Bank loans repayable:* | | |
| Within one year | **53,838** | 33,659 |
| *Hire purchase arrangements repayable:* | | |
| Within one year | **36** | 56 |
| In the second year | **8** | 17 |
| In the third to fifth years, inclusive | **3** | 6 |
| | **47** | 79 |
| | **53,885** | 33,738 |

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) As at 30 June 2017, the bank loans of China Bright Industries Limited ("**China Bright HK**"), an indirect wholly-owned subsidiary of the Company, were secured by the pledged bank balances of USD4,702,000 (31 December 2016: USD5,790,000) (note 14) and by certain trade receivables of USD46,941,000 (31 December 2016: USD30,149,000) (note 12), and were guaranteed by the Company at nil consideration.

(b) The Group acquired certain of its motor vehicles and machinery through hire purchase arrangements, which are classified as finance leases and have remaining lease terms ranging from one to three years. As at 30 June 2017, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles and machinery acquired with an aggregate carrying amount of USD6,000 (31 December 2016: USD6,000) (note 9).

(c) During 2016, the Group disposed of certain of its machinery through hire purchase arrangements with remaining lease terms within one year. As at 30 June 2017 and 31 December 2016, remaining payables relating to the hire purchase arrangements were unsecured and interest-free to be paid according to the payment schedule stated in the supplementary contracts of the hire purchase arrangements.

(d) As at 30 June 2017, the balance represented interest-bearing bank loans of USD6,823,000 of China Bright HK, an indirect wholly-owned subsidiary of the Company, which were unsecured.

As at 31 December 2016, the balance representing interest-bearing bank loans of USD3,522,000 of China Bright HK which were guaranteed by the Company at nil consideration.

(e) Except for the hire purchase arrangements which were denominated in RM, all borrowings were denominated in USD.

## 18. SENIOR NOTES

On 20 September 2016, the Company ("**Issuer**") entered into a subscription agreement ("**Subscription Agreement**") with an independent third party institution (the "**Subscriber**") pursuant to which the Company issued the 12% senior notes ("**Senior Notes**") in the principal amount of HKD164,865,750 (approximately to USD21,270,000) with a final redemption date falling 18 months after the date of issue. The net proceeds amounted to approximately USD20,000,000 as at the issue date. The interest should be payable quarterly.

The major terms and conditions of the Senior Notes are as follows:

### (a) The event of defaults under the Senior Notes include, among other things:

(i) the Issuer or a wholly-owned subsidiary(ies) of the Issuer does not remain the direct or indirect beneficial owner of not less than 100% of the issued share capital of (a) China Bright HK; and (b) Pacific Mining, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party;

(ii) the ratio of the total liabilities of the Issuer to the total assets of the Issuer exceeds a specified ratio;

(iii) Mr. Li Yang fails to remain as the controlling shareholder (as defined in the Listing Rules) of the Company, or Mr. Li Yang ceases to be the chairman of the Company; and

(iv) trading in the Company's shares on the HKSE is suspended for more than five (5) consecutive trading days or twenty (20) trading days in any period of twelve (12) months or the closing price per share of the Company shall be less than a specified price during five (5) consecutive trading days.

Upon and at any time after the occurrence of the event of defaults, the Subscriber may give notice to the Company that one or more of the Senior Notes shall become immediately due and repayable with all accrued interest.

### (b) Redemption option

The Company may not redeem the Senior Notes prior to the final redemption date without the prior written consent of the holders of the Senior Notes.

### (c) Guarantees

The Senior Notes were guaranteed by Cosmo Field, Capture Advantage, Mr. Li Yang and Mr. Li Dongming, who is the father of Mr. Li Yang (note 22 (d)).

## 18. SENIOR NOTES (continued)

The Senior Notes recognised in the consolidated statement of financial position are calculated as follows:

| | USD'000 |
|---|---|
| Carrying amount at 31 December 2016 | 20,213 |
| Effective interest recognised for the year (note 5) | 1,696 |
| Interest paid or payable | (1,290) |
| Exchange realignment | (72) |
| Carrying amount at 30 June 2017 | 20,547 |

## 19. DIVIDENDS

At a meeting of the board of directors held on 29 August 2017, the Directors resolved not to pay an interim dividend to shareholders (six months ended 30 June 2016: Nil).

## 20. OPERATING LEASE ARRANGEMENTS – THE GROUP AS LESSEE

The Group leases certain of its office under operating lease arrangements, with leases negotiated for terms ranging from two to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
|---|---|---|
| Within one year | **291** | 308 |
| In the second to fifth years, inclusive | **373** | 418 |
| | **664** | 726 |

## 21. COMMITMENTS

In addition to the operating lease commitments detailed in note 20 above, the Group had the following commitments at the end of the reporting period:

### (a) Mining fee

The Group has agreed to pay Gema Impak Sdn. Bhd. ("**Gema Impak**") a mining fee of RM40 per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance.

### (b) Service fee

Pursuant to the mining sub-contract in relation to Ibam Mine entered into between the Group and the mining contractor, a third party, which has been renewed on 26 December 2016 and continues to be effective until the expiry of the mining lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the mining sub-contract, the mining contractor shall mine and produce iron ore products at Ibam Mine using the machinery or equipment provided by the Group. If the production volume is less than 30 thousand tonnes, the service fee for the mining contractor is RM60 per tonne of iron ore produced, if the production volume exceeds 30 thousand tonnes per month, the service fee should be re-negotiated and agreed between the Group and the mining contractor.

## 22. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

| | **For the six months ended 30 June** | |
|---|---|---|
| | **2017** | 2016 |
| | **USD'000** | USD'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest-free loans from the ultimate holding company | **10,000** | 50,000 |
| Repayment of a loan to the ultimate holding company | **–** | (15,000) |

The above loans from the shareholder were unsecured and interest free. See note 22(c) below for details.

## 22. RELATED PARTY TRANSACTIONS (continued)

### (b) Compensation of key management personnel of the Group:

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | **USD'000** | USD'000 |
| | **(Unaudited)** | (Unaudited) |
| Short term employee benefits | **505** | 294 |
| Total compensation paid to key management personnel | **505** | 294 |

### (c) Outstanding balances with related parties:

As at 30 June 2017, the Group had interest-free loans from the ultimate holding company, Cosmo Field, of USD60,000,000 (note 16). Cosmo Field granted unsecured interest-free loans of USD40,000,000 and USD20,000,000 to the Group pursuant to the shareholder loan agreements entered into between the Group and Cosmo Field dated 27 September 2016 and 22 December 2016, respectively, which were due on demand for repayment before 26 September 2017.

As at 31 December 2016, the Group had interest-free loans from the ultimate holding company, Cosmo Field, of USD50,000,000 (note 16). Cosmo Field granted unsecured interest-free loans of USD40,000,000 and USD10,000,000 to the Group pursuant to the shareholder loan agreements entered into between the Group and Cosmo Field dated 27 September 2016 and 22 December 2016, respectively, which were due on demand for repayment before 26 September 2017.

### (d) Senior Notes guaranteed by related parties:

The Senior Notes issued during the year ended 31 December 2016 were guaranteed by the following related parties for nil consideration: (i) Cosmo Field; (ii) Mr. Li Yang, who acts as the chairman and chief executive officer of the Company, as well as the controlling shareholder of the Company; and (iii) Mr. Li Dongming who is the father of Mr. Li Yang (note 18(c)).

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | Carrying amounts | | Fair values | |
|---|---|---|---|---|
| | **30 June 2017 USD'000 (Unaudited)** | **31 December 2016 USD'000** | **30 June 2017 USD'000 (Unaudited)** | 31 December 2016 USD'000 |
| **Financial assets** | | | | |
| Other receivables in respect of: | | | | |
| – non-current portion of interest-bearing loan to a company | **8,500** | **8,500** | **8,500** | 8,500 |
| – disposal of property, plant and equipment | **5,891** | **5,456** | **5,891** | 5,456 |
| | **14,391** | **13,956** | **14,391** | 13,956 |
| **Financial liabilities** | | | | |
| Other payables and accruals: | | | | |
| – due to the ultimate holding company | **60,000** | **50,000** | **60,000** | 50,000 |
| Senior notes | **20,547** | **20,213** | **20,547** | 20,213 |
| | **80,547** | **70,213** | **80,547** | 70,213 |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, current portion of financial assets included in prepayments, deposits and other receivables, trade payables, current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

## 23. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other receivables, the amount due to the ultimate holding company and Senior Notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Company's or the subsidiaries' own non-performance risk where appropriate. The fair value measurement hierarchy of the above non-current other receivables, the amount due to the ultimate holding company and Senior Notes requires significant observable inputs (Level 3).

*Assets measured at fair value:*

| | Fair value measurement using | | |
|---|---|---|---|
| | **Signiciant Observable Inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | USD'000 | USD'000 | USD'000 |
| Unlisted available-for-sale equity investments | | | |
| **– As at 30 June 2017** | **13,000** | **11,160*** | **24,160** |
| – As at 31 December 2016 | 13,000 | 10,884* | 23,884 |

* The unlisted equity investments have been valued based on the market approach of valuation which requires the Group to consider prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the investments relative to the market comparative if necessary and appropriate.

## 24. EVENT AFTER THE REPORTING PERIOD

As at the date of approval of the interim condensed financial information, the Group has no event after the reporting period that needs to be disclosed.

## 25. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The unaudited interim condensed financial information was approved and authorised for issue by the board of directors on 29 August 2017.