INTERIM REPORT 2018

CAA RESOURCES

CAA Resources Limited

優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02112

* 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

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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
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Wanchai
Hong Kong

COMPANY WEBSITE

www.caa-resources.com

STOCK CODE

02112

Management Discussion and Analysis

The board (the "**Board**") of directors (the "**Directors**") 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 2018 (the "**Period**").

The Company acts as an investment holding company, and its principal business activities include 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 prices and cost efficiency of self-production, primary activities in exploration, mining, crushing and beneficiation at the Ibam Mine has been suspended during the Period and the Group now focuses on trading activities instead. As such, no mining volume or production volume was recorded for the six months ended 30 June ("**H1**") 2018 (2017 H1: nil).

Meanwhile, the Group actively adopted different strategies to diversify its business portfolio in order to drive the sustainable development of the Group in the long term. Strategies included but were not limited to conducting suitable mergers and acquisitions of other businesses so that the scope of businesses becomes more diversified. Starting from the beginning of 2018, the Group has taken part in the "Eastern Siberia–Pacific Ocean Oil Pipeline Energy Trade Programme". It is a new attempt for the Group and is expected to facilitate horizontal integration in the Group's business chain and enhance the Group's ability to open up new markets upon implementation. The Group maintains a cautiously optimistic attitude towards such programmes.

In November 2017, the Group and an independent entity established in Malaysia which is engaged in high-tech development and manufacturing industries entered into a memorandum of understanding. It was proposed that the Group would commence full-scale cooperation with the counterparty in relation to a smart transportation project in Malaysia, promoting the advanced technology and equipment of China. Since no concrete agreement was achieved after rounds of negotiation, the Company had decided not to proceed further on the negotiation. The Group would continue to grasp the opportunities brought by the "Belt and Road Initiative".

MARKET REVIEW

During the first half of 2018, affected by environmental inspections, iron and steel production in China declined slightly and the market demand for iron ore declined correspondingly. According to data from the China Iron and Steel Association (中國鋼鐵協會), during the period from January to April this year, the national production of pig iron fell by 1.23% year-on-year while 353 million tonnes ("**Mt**") of iron ore was imported in total, which is almost unchanged from the same period last year. The iron ore market was still in a state of supply exceeding demand. In May, imports of iron ore slightly rebounded to 160 Mt but they slipped 11.6% in June. The decline in imports was due to greater efforts to fight non-compliance of environmental regulations in China as well as the large inventories in ports. Analysis points out that environmental protection policies will put pressure on the demand for iron ore in the coming months. Nevertheless, as both the largest importing state of iron ore and the largest consumer state of steel, China's iron ore import dependency will remain high.

Management Discussion and Analysis

As in May 2018, the quantity of iron ore licensed under iron ore import licences was 122.3 Mt and the average price was US$67.98 per tonne. The Platts 62% – Fe Iron Ore Index slipped from a high of about US$80 at the beginning of the year and continued to fluctuate gently around US$65 in the second quarter. The World Steel Association forecasts a slowdown in the demand for iron and steel in the second half of 2018 as economic growth slows down in China, resulting in a decline in iron ore prices in the second half of the year. It is expected that iron ore prices at the end of 2018 will be slightly lower than the current level.

BUSINESS & OPERATIONS REVIEW

Operating Results

During the Period under review, the Group developed steadily despite that the operating overall result was slightly declined as compared to the first half of 2017.

During the Period under review, the Group recorded a period-on-period decrease of 26.1% in sales volume and sold 5,222 Kt iron ore products on dry basis (2017 H1: 7,070 Kt) with an average iron content of 63%. The decrease was largely attributable to modification of sales mix by increasing the trading of other commodities during the Period under review. In the first half of 2018, the Group recorded sales revenue of USD802.5 million for sales of iron ore products and other commodities (2017 H1: USD612.8 million), representing an increase of USD189.7 million or 31.0% compared to the same period last year.

The Group's sales in the first half of 2018 were mainly from the sale of iron ore products, which represented 46.4% of total sales revenue (2017 H1: 93.6%). The Company recorded a decrease in the sales quantity for the trading of iron ore products and an increase in trading of other commodities which led the Group's gross profit to increase by 41.1% to USD10.3 million during the Period (2017 H1: USD7.3 million). Gross profit margin rose to 1.3% (2017 H1: 1.2%).

Profit for the Period decreased by 6.9% to USD2.7 million from USD2.9 million for the same period last year, and earnings per share were 0.18 US cents (2017 H1: 0.19 US cents) which was largely due to an increase in finance costs arising from the interest for senior notes and a decrease in interest income.

Project Ibam operation update

As at 30 June 2018, the Group owned 5 beneficiation lines and 2 crushing lines. During the Period under review, no mining volume or production volume was recorded due to the temporary suspension of mining activities in the first half of 2018 (2017 H1: nil).

There were no exploration and development activities during the six months ended 30 June 2018.

Business Strategy

Despite indications of a slight slowdown in the global economy during the first half of 2018, infrastructure investments in China led by fiscal policies remained high. The "Belt and Road Initiative" which China continues to promote actively will turn the emerging countries in Asia into points of growth regarding the long-term global demand for iron and steel. In addition, the reforms on the supply side together with the environmental protection policies in China will boost the demand for high-quality minerals, bringing new opportunities for the Group's development.

On the international level, new projects are currently still under construction in the four major mines. It is expected that there will be fewer iron mine construction projects after 2020 and the global landscape of iron ore supply and demand will shift from the current state of excess supply to a new phase of balance between supply and demand. On the other hand, the trade war between China and the USA is bringing uncertainties to the economic environment. While the Group's management has not identified any direct impact on the Group for the time being, it is unable to assess the magnitude of its impact on the Group.

In view of this, the Group will continue to maintain a prudent development strategy while actively promoting the development of a diversified business portfolio to achieve diversity in terms of its income sources. As mentioned above, the Group will actively explore any cooperation opportunities with respect to the "Eastern Siberia–Pacific Ocean Oil Pipeline Energy Trade Programme" to facilitate horizontal integration in the Group's business chain and to enhance the Group's ability to open up new markets in order to bring greater benefits to the Group.

Looking ahead, the Group will continue to focus on the trading of iron ore and other commodities while endeavouring to diversify income sources so as to boost returns for shareholders.

REVENUE AND COST OF GOODS SOLD

Revenue

During the six months ended 30 June 2018, the Group's revenue arising from sales of iron ore and other commodities reached approximately USD802.5 million, about 31.0% higher than USD612.8 million recorded in the same period in 2017. The increase in revenue was mainly due to the significant increase in the sales quantity for the trading of copper cathodes, thermal coal, copper concentrate and petroleum products despite the decrease in sales quantity for the trading of iron ore during the Period.

Cost of Sales

During the six months ended 30 June 2018, the Group's cost of sales reached approximately USD792.1 million, about 30.8% higher than approximately USD605.5 million recorded in the same period in 2017. The cost of sales comprised the purchase costs of iron ore products and other commodities for trading activities. No iron ore production costs were recorded during the Period (2017 H1: nil). The increase in cost of sales was in line with the increase in products sold during the Period under review.

Gross profit

During the six months ended 30 June 2018, the Group's gross profit reached approximately USD10.3 million, about 41.1% higher than approximately USD7.3 million recorded in the same period in 2017. The increase in gross profit was mainly due to the increase in the trading of other commodities with higher gross profit margin. The average selling price of iron ore products decreased from USD81.2 per tonne to USD71.3 per tonne during the Period.

ADMINISTRATIVE EXPENSES

During the six months ended 30 June 2018, the Group's administrative expenses reached approximately USD2.6 million, which was approximately as much as USD2.6 million recorded in the same period in 2017.

OTHER EXPENSES

During the six months ended 30 June 2018, the Group's other expenses reached approximately USD0.6 million, about as much as the amount recorded in the same period in 2017. Other expenses was mainly arising from the unrealized foreign exchange difference arising from the translation of Malaysian Ringgit ("RM") to USD.

FINANCE COSTS

During the six months ended 30 June 2018, the Group's finance costs reached approximately USD5.1 million, about 104.0% higher than USD2.5 million recorded in the same period in 2017. The increase was mainly due to (i) interest expense for notes issued of USD2.1 million (2017 H1: USD1.7 million) and (ii) interest expense for utilization of banking facilities of USD3.0 million (2017 H1: USD0.7 million). For further details of the notes, please refer to the section headed "Notes" in this interim report.

PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment mainly consisted of machinery, mine properties and motor vehicles. As at 30 June 2018, the Group's property, plant and equipment reached approximately USD3.9 million, representing about 9.3% decrease from USD4.3 million as at 31 December 2017. The decrease was mainly due to depreciation and the exchange realignment between the RM and the USD.

INTANGIBLE ASSETS

The intangible assets comprised the mining rights and reserves in relation to Ibam Mine. As at 30 June 2018, the Group's intangible assets amounted to approximately USD13.0 million, representing a 0.8% increase from approximately USD12.9 million as at 31 December 2017. The increase was mainly due to the gain on exchange realignment outweighted the amortization charged for the Period.

AVAILABLE-FOR-SALE INVESTMENTS

The Group's available-for-sale investments, stated at their fair value, amounted to approximately USD32.9 million as at 30 June 2018, representing an increase of 38.2% from approximately USD23.8 million as at 31 December 2017. For details, please refer to note 10 to the interim condensed financial information.

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"). The indirect wholly owned subsidiaries of Fortune Union 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. The unlisted equity investments in both Fortune Union and Shenzhen Gongxinying are stated at fair value. The Group does not intend to dispose of the investments in the near future.

TRADE RECEIVABLES

The Group's trade receivables increased by 18.4% from approximately USD194.5 million as at 31 December 2017 to approximately USD230.3 million as at 30 June 2018, which was mainly due to an increase in sales. The average collection period in days was approximately 48 days (2017: 47 days). A slightly longer average collection period was recorded due to an increase in settlement by tele-transfer, for which a longer credit period was granted.

Major customers were granted credit on an open account basis or allowed to settle by documentary letters 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 2018, about 96.7% of the trade receivables of the Group, based on the sales recognition date, were aged within six months. The outstanding balance of approximately USD7.7 million which was aged between six to twelve months has been examined by the management and 99.5% of which was neither past due nor impaired. The Directors are of the opinion that the expected loss rate of trade receivables was 0% as of 30 June 2018 (31 December 2017: 0%) and no provision for impairment is necessary.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2018, the Group's prepayments, deposits and other receivables amounted to approximately USD18.1 million (31 December 2017: approximately USD50.9 million). The significant decrease was mainly due to a decrease in the prepayments made to certain commodities suppliers from approximately USD35.6 million as at 31 December 2017 to USD2.2 million as at 30 June 2018, representing a decrease of approximately 93.8%.

The Directors are of the opinion that the expected loss rate for prepayments, deposits and other receivables was 0% as of 30 June 2018 (31 December 2017: 0%) and the maximum exposure to credit risk as of the reporting date was the carrying value of prepayments, deposits and other receivables as stated in the interim condensed financial information.

TRADE PAYABLES

Trade payables mainly consisted of amounts payable to suppliers for the purchase of iron ore products and other commodities for trading activities. As at 30 June 2018, the Group's trade payables decreased to approximately USD9.4 million, representing a decrease of about 64.0% compared to the USD26.1 million as at 31 December 2017. The decrease was mainly because the trade payables as at 30 June 2018 were repaid by bank import loans under the arrangement of banking facilities.

OTHER PAYABLES AND ACCRUALS

As at 30 June 2018, the Group's other payables and accruals amounted to approximately USD63.9 million, about 0.6% higher than approximately USD63.5 million as at 31 December 2017. The increase was mainly due to certain payments in advance by customers have been received.

NOTES

The amount represented the carrying amounts recognized for the notes issued on 20 September 2016 ("Note 1") and 19 October 2017 ("Note 2") for the amounts of USD18.5 million and USD19.9 million respectively. The notes were measured at amortised cost using the effective interest rate method after deducting issuance costs at the issue date. The Note 1 was classified as a current liability as at 31 December 2017 and at 30 June 2018. The Note 2 was classified as a non-current liability as at 31 December 2017 and at 30 June 2018. For further details, please refer to the announcements dated 20 September 2016 and 19 October 2017 respectively.

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 "Noteholder 1") pursuant to which the Company agrees to issue and the Noteholder 1 agrees to subscribe for the subscription notes ("Note 1") 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 Note 1, 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 Note 1 shall become immediately due and repayable with all accrued interests. The Company entered into a letter agreement with the Noteholder 1 on 19 March 2018 to extend the final redemption date of the Note 1 from 19 March 2018 to 19 May 2018 and made a payment of USD2,000,000 on 29 March 2018 to the Noteholder 1 to be applied first to interest accrued due as at the date of such payment and thereafter to reduce the principal balance of the Note 1. On 19 May 2018, the holder of the Note 1 agreed to further extend the final exemption date of the Note 1 to 31 December 2018.

Further, on 19 October 2017, the Company entered into a subscription agreement with, amongst others, an independent third party institution (the "Noteholder 2") pursuant to which the Company agrees to issue and the Noteholder 2 agrees to subscribe for the notes ("Note 2") in the principal amount of not more than US$20,000,000 with a maturity date of two years from the date of issuance. Pursuant to the terms of the Note 2, it will be an event of default in respect of the Note 2 if, amongst others, so long as any part of the Note 2 is outstanding and without the prior consent of the Subscriber, (i) Mr. Li Yang ("Mr. Li", the chairman and Controlling Shareholder (as defined under the Listing Rules) of the Company) fails to remain as the single largest shareholder of the Company and holds 55.00% of the issued share capital of the Company; (ii) sells, transfers or creates any further encumbrance over his equity interests in the Company; or (iii) ceases to act as the chairman, the chief executive officer and the executive director of the Company.

Cosmo Field Holdings Limited ("Cosmo Field"), Mr. Li Yang and his father have provided guarantee with respect to the Note 1 and Cosmo Field and Mr. Li Yang have provided guarantee with respect of the Note 2 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 2018 was approximately USD118.7 million (31 December 2017: USD107.7 million). The Group generally finances its operations with internally generated cash flows, interest-bearing borrowings and loans from Cosmo Field. Primary uses of the funds during the Period included the payment of iron ore purchases, operating expenses, repayment of note and interest expenses arising from banking facilities and notes. As at 30 June 2018, current assets of approximately USD268.5 million comprised USD248.3 million in trade and other receivables and USD14.2 million in cash and bank balances. Current liabilities of approximately USD180.8 million mainly comprised USD73.3 million in trade and other payables, USD84.6 million in interest-bearing bank and other borrowings, USD18.5 million in notes issued, and USD4.4 million in tax payable. Current ratio, being total current assets to total current liabilities, was 1.49 as at 30 June 2018 (31 December 2017: 1.50).

CAPITAL STRUCTURE

The Group is currently funding its capital expenditure through internally generated funds from its operations, new bank borrowings and loans 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 owners of the Company.

The Group's gearing ratio as at 30 June 2018 was 57.8% (31 December 2017: 57.8%).

The Group continued to conduct its operational business mainly in USD. The Group did not arrange any forward currency contracts for hedging purposes.

CONTINGENT LIABILITIES

As at 30 June 2018, 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 since the interest rates for all of its interest-bearing loans were fixed. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

CHARGE ON ASSETS

Save for the motor vehicles, machinery, trade receivables and bank balances pledged for bank and other loans as disclosed in note 9 to the unaudited condensed consolidated financial information, the Group did not have any pledges on its assets as at 30 June 2018.

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 2018, the Group had 49 (31 December 2017: 46) employees. For the six months ended 30 June 2018, total staff costs included directors' emoluments amounting to approximately USD1.0 million (six months ended 30 June 2017: USD1.0 million). The total staff costs remained stable 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.

RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 30 JUNE 2018

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2018 *(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 2018:

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 2018, 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 2018.

During the Period under review, no mining volume and production volume were recorded since the mining activities have been temporarily suspended (2017 H1: nil and nil respectively).

CAPITAL EXPENDITURE

During the six months ended 30 June 2018, the Company did not incur any material capital expenditure for the purchase or upgrade of PPE and payments in advance.

Other Information

SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

During the Period, the Company did not make any significant acquisition and investments.

The Company does not have any future plan for significant acquisition, disposal and investment during the Period and up to the date of this announcement.

RELATED PARTY TRANSACTIONS

Details of the related party transaction as stated in note 22 to the financial statements comprise: (i) a interest-free loan from Cosmo Field to the Company for the amounts of USD60 million recorded as other payables and accruals as at 30 June 2018 (31 December 2017: USD60 million), 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 (2017 H1: 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 2018 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.

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 30 May 2018 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.

RELEASE AND CHARGE OF SHARES BY CONTROLLING SHAREHOLDER

As set out in the announcement dated 8 January 2018, the Company has been notified that a deed of release has been executed on 4 January 2018 with respect to 752,000,000 shares ("Charged Shares") of the Company which were previously charged by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). The Company has also been notified that, Cosmo Field has charged the Charged Shares in favour of another independent third party institution as second priority lender on 4 January 2018.

As at the date of this report, Cosmo Field owns a total of 843,750,000 shares of the Company, representing 56.25% of the issued share capital of the Company. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the date of this report. Cosmo Field is the Company's controlling shareholder (as defined in the Listing Rules) which is wholly owned by Mr. Li Yang who is a chairman and controlling shareholder of the Company.

CHANGE OF AUDITOR

The termination of the engagement of Ernst & Young as auditor of the Company and the appointment of Graham H.Y. Chan & Co., as the new auditor of the Company (the "Proposed Change of Auditor") was duly approved by the shareholders of the Company on 28 February 2018. For details, please refer to the circular dated 6 February 2018.

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 2018. 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 2018. 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.

Other Information

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

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 2018, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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%

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. 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, a deed of release has been executed on 4 January 2018 with respect to the Charged Shares which were previously charged by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). Cosmo Field has changed the Shares in favour of anther secondary priority lender on 4 January 2018.

(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 2018, 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 report, so far as it is known to the Directors, the persons (other than the Directors or Chief Executive Officer 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 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 (notes 2, 3)	Beneficial owner	843,750,000 (L)	56.25 (L)
Ample Professional Limited (note 5)	Security interest in shares	752,000,000 (L)	50.13%
Huarong International Financial Holdings Limited (note 5)	Interest in Corporation controlled	752,000,000 (L)	50.13%
中國華融資產管理股份有限公司 (note 5)	Interest in Corporation controlled	752,000,000 (L)	50.13%
Haitong International Financial Products (Singapore) Pte. Ltd. (note 6)	Security interest in shares	172,352,000 (L)	11.49%
Haitong International Holdings Limited (note 6)	Interest in Corporation controlled	172,352,000 (L)	11.49%
Haitong International Securities Group (Singapore) Pte. Ltd. (note 6)	Interest in Corporation controlled	172,352,000 (L)	11.49%
Haitong International Securities Group Limited (note 6)	Interest in Corporation controlled	172,352,000 (L)	11.49%
Haitong Securities Co., Ltd. (note 6)	Interest in Corporation controlled	172,352,000 (L)	11.49%
Hua Heng (note 4)	Beneficial owner	100,575,000 (L)	6.71% (L)
Yang Jun (note 4)	Interest in controlled corporation	100,575,000 (L)	6.71% (L)
Tang Lingyan (note 4)	Interest of a Substantial Shareholder's child under 18 or spouse	100,575,000 (L)	6.71% (L)

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. 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. 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 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, a deed of release has been executed on 4 January 2018 with respect to the Charged Shares which were previously changed by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). Cosmo Field has changed the Shares in favour of anther secondary priority lender on 4 January 2018.

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.

5. Each of Huarong International Financial Holdings Limited and 中國華融資產管理股份有限公司 is deemed, or taken to be, interested in all the interest held by Ample Professional Limited in the shares of the Company for the purpose of the SFO.

6. Each of Haitong International Holdings Limited, Haitong International Securities Group (Singapore) Pte. Ltd., Haitong International Securities Group Limited and Haitong Securities Co., Ltd. is deemed, or taken to be, interested in all the interest held by Haitong International Financial Products (Singapore) Pte. Ltd. in the shares of the Company for the purpose of the SFO.

Save as disclosed above, as at the date of this report, 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.

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 2018). 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 2018, 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 2018. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 30 June 2018.

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 2018. 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 (2017: nil).

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

Hong Kong, 31 August 2018

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 USD'000 (Unaudited)	2017 USD'000 (Unaudited)
REVENUE	3, 4	**802,481**	612,773
Cost of sales		**(792,138)**	(605,478)
Gross profit		**10,343**	7,295
Other income and gains		**1,700**	2,341
Selling and distribution expenses		**(150)**	(136)
Administrative expenses		**(2,606)**	(2,551)
Other expenses		**(637)**	(606)
Finance costs	5	**(5,145)**	(2,455)
PROFIT BEFORE TAX	6	**3,505**	3,888
Income tax expense	7	**(816)**	(966)
PROFIT FOR THE PERIOD		**2,689**	2,922
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale investments		**9,132**	276
Income tax effect		**(901)**	69
		8,231	207
Exchange differences on translation of foreign operations		**74**	290
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		**10,994**	3,419
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted (US cents)	8	**0.18**	0.19

Interim Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**3,875**	4,327
Mining rights and reserves	9	**12,993**	12,932
Available-for-sale investments	10	**32,940**	23,808
Goodwill	11	**6,801**	6,765
Deferred tax assets		**26**	25
Total non-current assets		**56,635**	47,857
CURRENT ASSETS			
Trade receivables	12	**230,273**	194,476
Prepayments, deposits and other receivables	13	**18,050**	50,899
Pledged deposits	14	**5,971**	7,124
Cash and cash equivalents	14	**14,191**	2,085
Total current assets		**268,485**	254,584
CURRENT LIABILITIES			
Trade payables	15	**9,411**	26,078
Other payables and accruals	16	**63,891**	63,503
Interest-bearing bank and other borrowings	17	**84,567**	56,017
Notes	18	**18,508**	20,882
Tax payable		**4,406**	3,590
Total current liabilities		**180,783**	170,070
NET CURRENT ASSETS		**87,702**	84,514
Total assets less current liabilities		**144,337**	132,371
NON-CURRENT LIABILITIES			
Notes	18	**19,854**	19,810
Interest-bearing bank and other borrowings	17	**3**	7
Deferred tax liabilities		**5,355**	4,437
Provision for rehabilitation		**394**	380
Total non-current liabilities		**25,606**	24,634
Net assets		**118,731**	107,737
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**1,934**	1,934
Reserves		**116,797**	105,803
Total equity		**118,731**	107,737

Li Yang
Director

Li Xiaolan
Director

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	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 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:								
Exchange differences on translation of foreign operations	–	–	–	–	–	290	–	290
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	207	–	–	207
Total comprehensive income for the period	–	–	–	–	207	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
At 1 January 2018	**1,934**	**47,541***	**14,956***	**50***	**4,356***	**(4,138)***	**43,038***	**107,737**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**2,689**	**2,689**
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**74**	**–**	**74**
Changes in fair value of available-for-sale investments, net of tax	**–**	**–**	**–**	**–**	**8,231**	**–**	**–**	**8,231**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**8,231**	**74**	**2,689**	**10,994**
At 30 June 2018 (Unaudited)	**1,934**	**47,541***	**14,956***	**50***	**12,587***	**(4,064)***	**45,727***	**118,731**

* These reserve accounts comprise the consolidated reserves of USD116,797,000 (31 December 2017: USD105,803,000) in the consolidated statement of financial position.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 USD'000 (Unaudited)	2017 USD'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**3,505**	3,888
Adjustments for:			
Finance costs	5	**5,145**	2,455
Unrealised foreign exchange gains		**(239)**	(832)
Interest income		**(850)**	(1,535)
Depreciation	6, 9	**449**	440
Amortisation of intangible assets	6, 9	**11**	11
		8,021	4,427
(Increase)/Decrease in trade receivables		**(35,797)**	15,476
Decrease/(Increase) in prepayments, deposits and other receivables		**33,234**	(100,944)
Decrease in trade payables		**(16,667)**	(23,764)
Increase/(decrease) in other payables and accruals		**20**	(252)
Cash used in operations		**(11,189)**	(105,057)
Interest received		**–**	1
Income tax paid		**–**	(1,517)
Net cash flows used in operating activities		**(11,189)**	(106,573)

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Notes	For the six months ended 30 June 2018 USD'000 (Unaudited)	2017 USD'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**850**	1,347
Purchase of items of property, plant and equipment		**–**	(3)
Decrease in pledged deposits		**1,153**	3,869
Advances of loans to third parties		**–**	(18,500)
Collection of loans previously advanced to third parties		**–**	18,500
Net cash flows from investing activities		**2,003**	5,213
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from the ultimate holding company		**–**	10,000
Capital element of hire purchase arrangements payments		**(7)**	(32)
Net increase in bank loans		**28,554**	20,179
Repayment of note	18(a)	**(2,500)**	–
Interest paid		**(4,739)**	(2,220)
Net cash flows from financing activities		**21,308**	27,927
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**12,122**	(73,433)
Cash and cash equivalents at beginning of period		**2,085**	74,922
Effect of foreign exchange rate changes, net		**(16)**	189
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	**14,191**	1,678

Notes to Interim Condensed Financial Information

For the six months ended 30 June 2018

1. CORPORATE INFORMATION

CAA Resources 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 2018 (the "**Period**"), the Company and its subsidiaries were principally engaged in the business of mining, ore processing, sale of iron ore products and other commodities to steel manufacturers and/or their respective purchase agents in Mainland China and other commodity trading companies, 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, 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 2017.

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 2017, 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 2018.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Clarifications*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*

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 2018 and 2017, respectively.

Six months ended 30 June 2018

	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	**–**	**802,481**	**–**	**802,481**	**–**	**802,481**
Total revenue	**–**	**802,481**	**–**	**802,481**	**–**	**802,481**
Results						
Segment profit	**(496)**	**3,295**	**850**	**3,649**	**(144)**	**3,505**

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

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 2018 and 31 December 2017, 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 2018	**29,915**	**238,608**	**41,440**	**309,963**	**15,157**	**325,120**
31 December 2017	30,154	237,192	32,308	299,654	2,787	302,441
Liabilities						
30 June 2018	**1,587**	**195,041**	**–**	**196,628**	**9,761**	**206,389**
31 December 2017	1,589	184,912	–	186,501	8,203	194,704

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	
Reconciliation of profit	**2018 USD'000 (Unaudited)**	2017 USD'000 (Unaudited)
Segment profit	**3,649**	4,636
Corporate and other unallocated expenses and income	**(994)**	(1,554)
Foreign exchange gains, net	**850**	806
Profit before tax	**3,505**	3,888

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	
	2018	2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Iron ore products	**372,298**	573,796
Copper cathodes	**340,451**	28,430
Nickel cathodes	**4,212**	10,547
Copper concentrate	**53,941**	–
Petroleum products	**19,698**	–
Thermal coal	**11,881**	–
	802,481	612,773

5. FINANCE COSTS

An analysis of finance costs is as follows:

		For the six months ended 30 June	
		2018	2017
	Notes	**USD'000**	USD'000
		(Unaudited)	(Unaudited)
Interest on notes	18	**2,109**	1,696
Interest on bank loans		**3,021**	745
Unwinding of discount on provision		**14**	13
Interest on hire purchase arrangements		**1**	1
		5,145	2,455

6. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
	Notes	**2018 USD'000 (Unaudited)**	2017 USD'000 (Unaudited)
Cost of inventories sold		**792,138**	605,478
Employee benefit expense (including Directors' and chief executive's remuneration)		**954**	1,013
Depreciation	9	**449**	440
Amortisation of intangible assets	9	**11**	11
Depreciation and amortisation expenses		**460**	451
Minimum lease payments in respect of:			
Motor vehicles		**56**	73
Office		**107**	124
Auditors' remuneration		**219**	98
Interest income*		**(850)**	(1,535)
Foreign currency gains, net*		**(850)**	(806)

* These are included in "Other income and gains" 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 2017: 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 2017: 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	
	2018	2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**816**	841
Underprovison in prior year	**–**	132
Deferred	**–**	(7)
Total tax charge for the period	**816**	966

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 2017: 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 2017 and 2018 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:

	Notes	Property, plant and equipment USD'000	Mining rights and reserves USD'000
Carrying amounts at 1 January 2018		**4,327**	**12,932**
Additions		**–**	**–**
Depreciation/amortisation charged for the Period	6	**(449)**	**(11)**
Exchange realignment		**(3)**	**72**
Carrying amounts at 30 June 2018 (unaudited)		**3,875**	**12,993**

As at 30 June 2018, motor vehicles and machinery with an aggregate net carrying amount of approximately USD6,000 (31 December 2017: USD6,000) were held under hire purchase arrangements entered into by the Group (note 17(b)).

A motor vehicle with a net carrying amount of USD122,000 (31 December 2017: USD171,000) was held under custody of Chengdu Hande Investment Management Co., Ltd. as at 30 June 2018. The shareholders of Chengdu Hande include Mr. Wang Er, Ms. Li Xiaolan, Mr. Li Yang and Mr. Li Yang's father. Mr. Wang, Ms. Li Xiaolan and Mr. Li Yang are directors of the Company.

As at 30 June 2018, the gross carrying amount of fully depreciated assets that were still in use totalled USD1,593,000 (31 December 2017: USD1,584,000).

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Unlisted equity investments, at fair value	**32,940**	23,808

During the Period, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to USD9,131,800 (2017 H1: USD276,000).

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 2018	6,765
Exchange realignment	36
Cost and net carrying amount at 30 June 2018 (unaudited)	6,801

Impairment testing of goodwill

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 covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 19.83% (31 December 2017: 19.83%). 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 2017: 0%) and the inflation rate is 3% (31 December 2017: 3%). The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the Ibam Mine cash-generating unit.

Assumptions were used in the value in use calculation of the iron ore cash-generating unit. 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 – production and sales volumes are expected to increase from approximately 0.04 million tonnes in 2016 to approximately 1.28 million tonnes in 2019 as production is expanded up to its designed capacity. During the Period, production at Ibam Mine has been suspended, but is expected to resume from late 2018. 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 prices – 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 – They are based on the average production costs achieved in the recent years, adjusted for management's expectations for possible changes in the production costs and estimated market prices.

Discount rate – The discount rate used is before tax and reflects specific risks related 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 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Within 3 months	**129,141**	128,712
3 months to within 6 months	**93,450**	65,764
6 months to 12 months	**7,682**	–
	230,273	194,476

The Group normally accepts settlement by way of irrevocable letter of credit or telegraphic transfer. During the Period, the Group granted credit periods of three to six 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 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Neither past due nor impaired	**230,237**	144,752
Less than 1 months past due	**–**	20,010
Past due more than 1 month but less than 3 months	**–**	24,472
Past due more than 3 months	**36**	5,242
	230,273	194,476

Receivables that were past due but not impaired relate to several independent customers that have a good track record with the Group. The Directors are of the opinion that the expected loss rate was 0% as of 30 June 2018 (31 December 2017: 0%) and no provision for impairment is necessary in respect of these past due balances as such receivables was expected to be collected within 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item in the combined statement of comprehensive income.

The maximum exposure to credit risk as of the reporting date was the carrying value of trade receivables stated above. The Group did not hold any collateral as security for the trade receivables.

Trade receivables of USD84,557,000 (31 December 2017: USD55,037,000) were pledged to banks to secure bank loans (note 17(a)).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**30 June 2018 USD'000 (Unaudited)**	31 December 2017 USD'000
Prepayments in respect of:			
– Purchase of iron ore	(a)	**2,194**	35,592
Other receivables in respect of:			
– disposal of property, plant and equipment	(b)	**6,475**	6,438
– interest-bearing loan to a company	(c)	**8,500**	8,500
Other prepayments and receivables		**881**	369
		18,050	50,899

Notes:

(a) As at 30 June 2018, the Group had prepayments in the aggregate amount of approximately USD2,194,000 made to three suppliers for purchase of iron ores. According to the relevant purchase agreements entered into with the respective suppliers, the said prepayments were used to deduct the shipment value of iron ore to be provided by the respective suppliers to the Group for the second half year of 2018.

(b) In December 2015, the Group disposed of some of its machinery in Malaysia ("**Disposed Machinery**") to an independent third party (the "**Buyer**") for an aggregate consideration of RM52,300,000 equivalent to approximately USD12,181,000 as at 31 December 2015. According to the agreement entered into between the Group and the Buyer, 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 secured by the pledge of the Disposed Machinery.

During the year ended 31 December 2016, the Group had received 50% of the consideration. The remaining balance of the consideration amounting to RM26,150,000 equivalent to approximately USD6,438,000 as at 31 December 2017 remained unsettled up to 30 June 2018. On 5 March 2018, the Group entered into a supplemental agreement (the "**Supplemental Agreement**") with the Buyer to extend the payment term of the remaining consideration to 31 December 2018. The Buyer is required to pay interest on the unsettled balance to the Group at the interest rate of 5% per annum on a quarterly basis. The interest payments for the first and second quarters were received on 19 March and 28 June 2018 respectively.

(c) The balance represents a loan with a principal of USD8,500,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2017: USD8,500,000), the details of which are set out in the announcement dated 24 December 2015.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Except for the receivable as disclosed in note 13(b) above, none of the above assets is either past due or impaired as at 30 June 2018. Except for the receivable as disclosed in note 13(b) above, the financial assets included in the above balances relate to receivables for which there was no recent history of default.

The Directors are of the opinion that the expected loss rate for prepayments, deposits and other receivables was 0% as of 30 June 2018 (31 December 2017: 0%) and the maximum exposure to credit risk as of the reporting date was the carrying value of prepayments, deposits and other receivables stated above.

14. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Cash and bank balances	**20,162**	9,209
Less: Pledged deposits*	**(5,971)**	(7,124)
Cash and cash equivalents	**14,191**	2,085

* As at 30 June 2018, (i) bank deposits of USD5,971,000 (31 December 2017: USD4,865,000) were pledged to secure short-term bank loans granted to the Group (note 17(a)); and (ii) bank deposits of USD2,259,000 as of 31 December 2017 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 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Cash and bank balances denominated in:		
United States dollars ("**USD**")	**20,141**	8,947
Hong Kong dollars ("**HKD**")	**17**	254
Other currencies – Ringgit Malaysia ("**RM**") and Renminbi	**4**	8
	20,162	9,209

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 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Within 3 months	**–**	26,052
3 months to within 6 months	**9,401**	–
6 months to 12 months	**–**	–
Over 1 year	**10**	26
	9,411	26,078

Trade payables are non-interest-bearing and are normally settled within 6 months.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Due to the ultimate holding company (note 22(c))	**60,000**	60,000
Other payables and accruals	**3,891**	3,503
	63,891	63,503

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017		
	Effective interest rate (%)	**Maturity**	**USD'000**	Effective interest rate (%)	Maturity	USD'000
Current						
Bank loans – secured (note (a))	**2.08-8.91**	**2018**	**84,557**	2.29-3.89	2018	55,999
Hire purchase arrangements – secured (note (b))	**2.36-2.47**	**2019-2020**	**10**	2.36-2.47	2018	18
			84,567			56,017
Non-current						
Hire purchase arrangements – secured (note (b))	**2.36-2.47**	**2019-2020**	**3**	2.36-2.47	2019-2020	7
			84,570			56,024

Analysed into:

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Bank loans repayable:		
Within one year	**84,557**	55,999
Hire purchase arrangements repayable:		
Within one year	**10**	18
In the second year	**2**	6
In the third to fifth years, inclusive	**1**	1
	13	25
	84,570	56,024

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

Notes:

(a) As at 30 June 2018, 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 approximately USD5,971,000 (31 December 2017: USD4,865,000) (note 14) and by certain trade receivables of USD84,557,000 (31 December 2017: USD55,037,000) (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 five years. As at 30 June 2018, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles acquired with an aggregate carrying amount of USD6,000 (31 December 2017: USD6,000) (note 9).

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

18. NOTES

	Notes	**30 June 2018 USD'000 (Unaudited)**	31 December 2017 USD'000
Current:			
Note 1 – redemption falling due within one year	(a)	**18,508**	20,882
Non-current:			
Note 2 – redemption date falling due after one year	(b)	**19,854**	19,810
Total		**38,362**	40,692

Notes:

(a) On 20 September 2016, the Company entered into a subscription agreement with an independent third party institution (the "**Noteholder 1**") pursuant to which the Company issued the 12% senior guaranteed notes (the "**Note 1**") in the principal amount of HKD164,865,750 (equivalent to approximately 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 maturity of the note had been extended to 31 December 2018.

18. NOTES (continued)

Notes: (continued)

(a) (continued)

The major terms and conditions of the Note 1 are as follows:

(i) The event of defaults under the Note 1 include, among other things:

- the Company or a wholly-owned subsidiary(ies) of the Company 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 Resources Sdn. Bhd., free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party;

- the ratio of the total liabilities of the Company to the total assets of the Company exceeds a specified ratio;

- 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

- trading in the Company's shares on the The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 Noteholder 1 may give notice to the Company that one or more of the Note 1 shall become immediately due and repayable with all accrued interest.

(ii) Redemption option

The Company may not redeem the Note 1 prior to the final redemption date without the prior written consent of the holders of the Note 1.

(iii) Guarantees

The Note 1 were guaranteed by Cosmo Field, Capture Advantage Co., Ltd., Mr. Li Yang and Mr. Li Dongming, who is the father of Mr. Li Yang (note 22(d)).

18. NOTES (continued)

Notes: (continued)

(a) (continued)

The Note 1 recognised in the consolidated statement of financial position are calculated as follows:

	USD'000
Carrying amount at 1 January 2018	20,882
Effective interest recognised for the Period (note 5)	1,361
Repayments	(2,500)
Interest paid or payable	(1,381)
Exchange realignment	146
Carrying amount at 30 June 2018	18,508

(b) On 19 October 2017, the Company entered into a subscription agreement with an independent third party institution (the "Noteholder 2") pursuant to which the Company issued the 7% fixed coupon guaranteed notes (the "Note 2") in the principal amount of USD20,000,000 with a maturity date of two years from the date of issue. The net proceeds amounted to approximately USD19,800,000 as at the issue date. The interest should be payable semi-annually.

The major terms and conditions of the Note 2 are as follows:

(i) The event of defaults under the Note 2 include, among other things:

- Declare, make or pay dividend or other distribution without the prior written consent of the Noteholder 2;
- Any event occurs which has effect of change of control (within the meaning of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Hong Kong Securities and Futures Commission) of the Company, its subsidiaries or Cosmo Field;
- Mr. Li Yang disposes or encumbers any of the Company's shares held by him, ceases to be the single largest shareholder of the Company, or ceases to hold, directly or indirectly, such number of the Company's shares, representing 55% of the entire issued share capital of the Company; and
- There is suspension of trading of the Company's shares on the Stock Exchange for five (5) consecutive trading days or more for any reason or cessation of trading of the Company's shares on the Stock Exchange for any reason.

18. NOTES (continued)

Notes: (continued)

(b) (continued)

(i) The event of defaults under the Note 2 include, among other things: (continued)

Upon and at any time after the occurrence of the event of defaults, the Noteholder 2 may give notice to the Company that all or any part of the Note 2 shall become immediately due and repayable with all accrued interest.

(ii) Redemption option

The Company may not redeem the Note 2 prior to the final redemption date without the prior written consent of the holders of the Note 2.

(iii) Guarantees

The Note 2 were secured, among other, guarantee by Cosmo Filed and Mr. Li Yang (note 22(d)).

The Note 2 recognised in the consolidated statement of financial position are calculated as follows:

	USD'000
Carrying amount at 31 December 2017 and 1 January 2018	19,810
Effective interest recognised for the period (note 5)	748
Interest paid or payable	(704)
Carrying amount at 30 June 2018	19,854

(c) According to the relevant subscription agreement, the original final redemption date of the Note 1 falls on 19 March 2018 and on that date, the Company entered into a letter agreement (the "Letter Agreement") with the holder of the Note 1 pursuant to which the holder of the Note 1 has agreed to extend the final redemption date of the Note 1 from 19 March 2018 to 19 May 2018, with interest to be accrued on the principal balance of the Note 1 from (and including) 20 March 2018 to (and including) the actual date of redemption of the Note 1 in full. According to the Letter Agreement, the Company shall make a payment of USD2,000,000 to the holder of the Note 1 on or before 29 March 2018 to be applied first to interest accrued due as at the date of such payment and thereafter to reduce the principal balance of the Note 1.

18. NOTES (continued)

Notes: (continued)

(c) (continued)

As referred to note 18(a)(i) above, one of the events of default under the Note 1 is that the ratio of the total liabilities of the Company to the total assets of the Company (the "Debt Ratio") exceeds a specified ratio. According to the Letter Agreement, the holder of the Note 1 has agreed to waive the condition regarding the Debt Ratio with respect to the Company's audited financial statements for the year ended 31 December 2017.

On 19 May 2018, the holder of the Note 1 agreed to further extend the final exemption date of the Note 1 to 31 December 2018. The Company shall repay a principal amount of US$500,000 on the last day of each month, and pay interest, computed on the outstanding principal of each month. Furthermore, the holder of the Note 1 further agreed to waive the condition regarding the Debit Ratio with respect to the Company's unaudited interim condensed financial information for the Period.

19. DIVIDENDS

At a meeting of the board of directors held on 31 August 2018, the Directors resolved not to pay an interim dividend to shareholders (six months ended 30 June 2017: 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 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Within one year	**337**	180
In the second to fifth years, inclusive	**856**	358
	1,193	538

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 Sdn. Bhd.

(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 periods:

	For the six months ended 30 June	
	2018	2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Interest-free loans from the ultimate holding company	**–**	10,000
Repayment of a loan to the ultimate holding company	**–**	–

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	
	2018	2017
	USD'000	USD'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**496**	505
Total compensation paid to key management personnel	**496**	505

(c) Outstanding balances with related parties:

As at 30 June 2018, 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 27 September 2018.

As at 31 December 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 27 September 2018.

(d) Notes guaranteed by related parties:

The Note 1 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(a)(iii)).

The Note 2 were guaranteed by Cosmo Field and Mr. Li Yang for nil consideration (note 18(b)(iii)).

23. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
Financial assets		
Available-for-sale financial assets	**32,940**	23,808
Loans and receivables		
Trade receivables	**230,273**	194,476
Other receivables	**15,639**	15,105
Pledged deposits	**5,971**	7,124
Cash and cash equivalents	**14,191**	2,085
	299,014	242,598
Financial liabilities		
At amortised cost		
Trade payables	**9,411**	26,078
Other payables	**61,196**	61,460
Interest-bearing bank and other borrowings	**84,570**	56,024
Notes	**38,362**	40,692
	193,539	184,254

Fair values

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, other receivables, trade payables, other payables and accruals, interest-bearing bank and other borrowings 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. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

Assets measured at fair value:

(i) Fair value hierarchy

	Recurring fair value measurement using		
	Significant 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 2018	**–**	**32,940**	**32,940**
– As at 31 December 2017	–	23,808	23,808

(ii) Transfer between Level 2 and Level 3 fair value hierarchy

As at 31 December 2017, the Group transfers its unlisted available-for-sale investment amounting to approximately US$13,056,000 from Level 2 to Level 3 fair value hierarchy. As at 31 December 2017, the fair value determined under market approach is based on significant unobservable inputs which include price to total assets of comparable public companies with adjustments made to the estimated market prices to reflect condition and utility of the investment relative to market comparatives.

As at 30 June 2018, the Group does not have any financial assets transferred from Level 3 to Level 2 fair value hierarchy.

23. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

Assets measured at fair value: (continued)

(iii) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents changes in Level 3 items for the Period and years ended 31 December 2017:

	30 June 2018 USD'000 (Unaudited)	31 December 2017 USD'000
At 1 January	**23,808**	10,884
Transfer into Level 3 (note)	**–**	13,056
Total gain/(losses) for the Period/year included in other comprehensive income	**9,132**	(132)
At 30 June/At 31 December	**32,940**	23,808

Note: The Group's policy is to recognise the transfer into Level 3 as of the date of the event or change in circumstances that caused the transfer.

23. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

Assets measured at fair value: (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

Description	Fair value at 30 June 2018 US$'000 (Unaudited)	Fair value at 31 December 2017 US$'000	Valuation technique	Unobservable inputs	Relationship with fair values
Unlisted equity securities	**10,728**	23,808	Market approach	Price to total assets ratio ranged at 1.91 (2017: 1.24 to 2.78)	Increase in price to total assets ratio will result in increase in fair values.
				Discount for lack of marketability (DLOM) ranged at 20% (2017: 18% – 20%)	Increase in DLOM will result in decrease in fair values.
	22,212	–	Income approach	Discount cash flow method at discount rate of 19%	Increase in discount rate discount rate will result in decrease in fair value.
				Discount for Cash of control (DLDO) at 21%	Increase in DLOC will result in decrease in fair value.
	32,940	23,808			

The valuation technique of one of the unlisted equity securities has changed during the Period by the independent qualified external valuers since there were substantial limitations for the market approach and the cost approach for valuation. As such, the independent qualified external valuers relied solely on the income approach in determining their opinion of value.

23. FINANCIAL INSTRUMENTS (continued)

Fair values (continued)

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

Assets measured at fair value: (continued)

(v) Valuation processes

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of a financial asset or a financial liability, the Group uses market-observable data to the extent it is available. When Level 1 or Level 2 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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 31 August 2018.