CAA
CAA RESOURCES

CAA Resources Limited

優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02112

INTERIM REPORT 2020

* For identification only

CONTENTS

Corporate Information 2
Management Discussion and Analysis 3
Other Information 8
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income 17
19 Interim Condensed Consolidated Statement of Financial Position
20 Interim Consolidated Statement of Changes in Equity
22 Interim Consolidated Statement of Cash Flows
23 Notes to Unaudited Interim Condensed Financial Information

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2413A, 24/F,
Lippo Centre Tower One,
89 Queensway,
Admiralty,
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
54/F, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY WEBSITE

www.caa-resources.com

STOCK CODE

02112

Management Discussion and Analysis

The Board of Directors of the Company is pleased to present the interim results of the Group for the six months ended 30 June 2020.

OVERVIEW OF BUSINESS DEVELOPMENT

The Company acts as an investment holding company, and its principal business activities are iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products and other commodities, and investment holding. 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.

At the beginning of 2020, COVID-19 broke out and spread globally, disrupting normal production and life order, and severely impacting most industries. The main mining assets of the Company are located in Malaysia. Malaysia implemented operational control directives nationwide since March 18, 2020: All governmental and private institutions, except for those providing essential services such as water, electricity and energy, shall be closed down, and all domestic gatherings, including religious, sports, social and cultural activities, shall be prohibited; foreigners shall be banned from entering Malaysia; residents shall not drive more than 10 kilometers away from home, and the only permission for going out shall be to buy daily necessities and food. These controls led to the suspension of operations at Ibam mine. In addition, the key business suppliers and customers of the Company are mainly located in Singapore, Malaysia, Mainland China and Hong Kong, and the restrictions on the entry of foreigners and the inspection and quarantine measures taken by these countries and regions also made it impossible for the Company's relevant business personnel to carry out and develop trade business normally. As a result, the Company had no income from its own production and trading business in the first six months of 2020. The Company has taken timely and active prevention and control measures since the initial stage of the epidemic, in order to ensure the health and safety of all employees, and to accumulate strength for the recovery and development of the Company.

MARKET REVIEW AND OUTLOOK

Iron ore port stocks continued to fall at the beginning of this year, and the supply remained tight. In particular, in May, as a major iron ore consumer, China's domestic production resumed, steel mills' output rose rapidly, and domestic iron ore demand soared. In addition, the shipment volume of VALE in the first quarter was significantly lower than expected, leading to the intensified contradiction between supply and demand. Iron ore port stocks fell by more than 6 million tons a month in May, sparking a sharp rise in prices.

However, since June, there have been obvious signs of easing the contradiction in quantity. On one hand, with the mitigation of the epidemic, there was a significant increase in shipments of foreign ores in June: Australian iron ore exports to China climbed to a record 46.2 million tons in June, up 7% from 43.18 million tons in May and up 10% from the same month last year. Brazilian iron ore exports to China reached 22.8 million tons in June, up 35% from a year earlier. Persistent high prices have also contributed to a recovery in global supplies, with China's iron ore imports hitting a record high of 547 million tons from January to June. On the other hand, the growth of China's domestic iron ore demand slowed down in June, and the molten iron production had the continuous growth of 18 weeks ended and experienced oscillation at high level in mid-June.

Management Discussion and Analysis

Due to overdue payments of customers in the first six months of this year, the Company will adopt a more prudent business strategy in the future operation. We will strengthen the access screening of new customers and the risk control measures of receivables, and make best effort to develop income sources, in order to reverse the loss-making situation as soon as possible.

BUSINESS & OPERATIONS REVIEW

Project Ibam operation update

The Group's principal mining site is Project Ibam. Based on the "Independent Technical Report" (see Appendix IV of the prospectus of the Company date 20 June 2013 (the "**Prospectus**") for full report), there is approximately 151 Mt of ore resource at a grade higher than or equal to 35%, with an average grade of 46.5% total iron, and it has a mine life expected to be more than 26 years as of 31 December 2012. The Group uses the openpit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low cost process which includes ball-milling, magnetic separation process and dewatering. The method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced.

The tenure of the Mining Lease (as defined in the Prospectus) with respect to Ibam Mine which had been expired on 15 December 2018, have been extended for another two years expiring on 15 December 2020 (the "**Extended Term**"). Best endeavors have been made to procure the extension of the Mining Lease, and the Extended Term has been granted with the approval of the governmental authorities in Malaysia. For further details, please refer to the announcement of the Company dated 25 January 2019. No production activities was conducted during the Period due to the COVID-19 outbreak and preventive measures taken by Malaysia government.

As at 30 June 2020, the Group owned 5 beneficiation lines and 2 crushing lines. The mining volume and production volume were nil (for the six months ended 30 June 2019 ("**2019 H1**"): 113.9 Kt and 81.4 Kt respectively).

Operating Results

During the Period, the COVID-19 outbreak cause disruptions to the Group's trading business and own production.

During the Period, the Group recorded revenue of nil (2019 H1: USD814.8 million), representing a decrease of USD814.8 million or 100% compared with the same period of the previous year. The sales volume of iron ore products decreased by 100% to approximately nil Kt on dry basis (2019 H1: approximately 1,240 Kt).

REVENUE AND COST OF GOODS SOLD

Revenue

During the Period, the Group's revenue arising from sales of crude oil, iron ore products and other commodities become nil, which is 100.0% lower than USD814.8 million recorded in 2019 H1. The significant decrease in revenue was mainly due to a reduction in the supply of goods and iron ore mining and processing operation from regions which has affected the Group's ability to continue the commercial trade and iron ore mining and processing operation as well as scale down of the production since February 2020 due to the preventive measures taken by the government during the Period as a results of the COVID-19 outbreak.

Cost of Sales

During the Period, the Group's cost of sales reached approximately nil, which is 100.0% lower than approximately USD804.9 million recorded in 2019 H1. The cost of sales mainly comprised the purchase costs of crude oil, iron ore products and other commodities for trading activities. The significant decrease in cost of sales was in line with the decrease in revenue during the Period.

Gross profit

As a result of the significant decrease in revenue and cost of sales for the Period, no gross profit being recorded, which is 100.0% lower than approximately USD9.9 million recorded in 2019 H1. The decrease in gross profit was due to no sales and production activity being carried out as a result of the COVID-19 outbreak during the Period.

ADMINISTRATIVE AND OTHER EXPENSES

During the Period, the Group's administrative expenses reached approximately USD2.3 million, consistent with approximately USD2.3 million recorded in the 2019 H1.

FINANCE COSTS

During the Period, the Group's finance costs reached approximately USD9.3 million, about 97.9% higher than USD4.7 million recorded in 2019 H1. The increase was mainly due to interest expense incurred on additional borrowings and bonds and existing outstanding bank loans and interest expense on senior notes. No notional interest expense incurred for shareholder loan from Cosmo Field (a controlling shareholder of the Company) during the Period.

INCOME TAX EXPENSE

The Group recorded approximately nil income tax expense during the Period, which is 100.0% lower than USD0.6 million. The decrease was due to no sales activity being carried out during the Period.

Management Discussion and Analysis

LOSS FOR THE PERIOD

As a result of the foregoing, the Group recorded loss of approximately USD28.6 million as compared to profit for the six-months period of approximately USD2.8 million recorded in 2019 H1. Such loss was mainly attributable to (i) no revenue was recorded by the Group during the Period; and (ii) the impairment loss on financial assets, net of reversal, in the sum of approximately USD17.7 million, both as a result of the financial difficulties faced by the Group and its clients in the People's Republic of China under the challenging economic environment which is due to, among others, the impact of COVID-19.

Borrowings and Defaults

As at 30 June 2020, the Group's borrowings consisted mainly of: (i) a loan of approximately USD36.5 million due to a commercial bank; (ii) a loan of approximately USD18.2 million; and (iii) notes and bond amounting to USD42.8 million which included the note with the principal of USD22.3 million and the note with the principal of USD18.0 million, and the bond with the principal of USD2.5 million.

As at 30 June 2020, the Company also owed shareholder loans of USD60.0 million (31 December 2019: USD60.0 million) from Cosmo Field (the Controlling Shareholder) which were interest-free and unsecured.

As disclosed in the announcement dated 20 January 2020 and 14 February 2020 and 19 May 2020, there were claims/purported claims against the Company and/or Mr. Li Yang, which amounted to default and cross-default of the aforesaid borrowings which have become immediately repayable. The Company is actively negotiating with creditors to extend the repayment schedule of the in-default borrowings.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

The total equity of the Group as at 30 June 2020 was approximately USD61.5 million (31 December 2019: USD90.5 million). The Group generally finances its operations with internally generated cash flows, interest-bearing bank and other borrowings, and interest-free and security-free shareholder loans from our Controlling Shareholder. Primary uses of the funds during the Period included the payment of operating expenses, repayment of bonds. As at 30 June 2020, current assets of approximately USD217.6 million primarily comprised USD191.5 million of trade receivables, USD7.6 million of deposits, prepayments and other receivables, USD18.4 million of non-current assets classified as held for sales and USD0.1 million of cash and cash equivalents. Current liabilities of approximately USD183.6 million mainly comprised USD1.9 million of trade payables, USD20.4 million of other payables and accruals, USD54.7 million of bank and other borrowings, USD42.8 million of notes and bond payable, USD0.01 million of lease liability, and USD3.7 million of income tax payable. Current ratio, being total current assets to total current liabilities was 1.2 as at 30 June 2020 (31 December 2019: 1.3).

As at 30 June 2020, the Group had bank and other borrowings of USD54.7 million in total (31 December 2019: USD54.7 million). The bank and other borrowings were mainly used to finance the issuance of letter of credit and working capital of the Group.

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, notes and bonds and an amount due to Cosmo Field, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the equity shareholders of the Company and non-controlling interest.

The Group's gearing ratio as at 30 June 2020 was 69.4% (31 December 2019: 63.2%). The increase was due to the decrease in equity as at 30 June 2020.

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

CHANGE OF AUDITORS

Reference is made to the announcements of the Company dated 14 May 2020 and 29 June 2020 in relation to the change of the auditors of the Group (the "**Auditor Announcement(s)**"). Prism CPA Limited has been appointed as the Company's auditor with effect from 29 June 2020 and as at the date of this announcement. For details of resignation of Graham Y. H. Chan & Co. and appointment and resignation of ZHONGHUI ANDA CPA Limited, please refer to the Auditor Announcements.

LEGAL PROCEEDINGS

The company and its controlling shareholders (being Cosmo Field Holdings Limited and Mr. Li Yang) are subject to a number of legal proceedings. For details, please refer to page 14 of the 2019 annual report.

CHARGE ON ASSETS

Except for trade receivables pledged for bank and other borrowing as disclosed in note 21 to the unaudited interim condensed consolidated financial statement, the Group did not have any pledges on its assets as at 30 June 2020.

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 2020, the Group had 24 (31 December 2019: 39) employees. During the Period, total staff costs included directors' emoluments amounting to approximately USD0.6 million (six months ended 30 June 2019: USD1.0 million). The total staff costs has been decreased 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.

EVENTS AFTER REPORTING PERIOD

Save as disclosed in Note 28 to the financial statements, there are no other significant event after reporting period.

Other Information

RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 30 JUNE 2020

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2020 (Note):

Classification	Quantity (million tonnes)	Fe Grade (%)
Measured	108	46.7
Indicated	–	–
Inferred	42	46.6
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 2020:

Classification	Quantity (million tonnes)	Fe Grade (%)
Proved	–	–
Probable	102	44.6

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 2020, 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 2020.

During the Period, mining volume and production volume were recorded nil (2019 H1: 113.9 Kt and 81.4 Kt respectively).

CAPITAL EXPENDITURE

During the six months ended 30 June 2020, the Company did not incur any material capital expenditure for the purchase or upgrade of property, plant and equipment and payments in advance.

SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

The Group's acquisitions, disposals and investments under planning included (but are not limited to) the projects described in the section "Overview of business development" above. Save as disclosed herein, the Company does not have any future plan for significant acquisition, disposal and investment during the period and as at the date of this announcement.

Other Information

RELATED PARTY TRANSACTIONS

For the details of related party transactions of the Group during the six months ended 30 June 2020, please refer to note 25 of notes to unaudited interim condensed financial information.

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 Listing Rules (the "**CG Code**") during the Period 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 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 and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board, of which Mr. Li 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

Remuneration Committee

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

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

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

Nomination Committee

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

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

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

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

CHANGE OF DIRECTORS' INFORMATION

Except for the legal proceedings of Mr. Li Yang which are disclosed in the annual report, 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 EXECUTIVE OFFICER'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the Directors and the Chief Executive Officer of the Company had the following interests and short positions in the Shares, underlying Shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) Long positions in Shares of the Company:

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

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 charged the Shares in favour of another 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 2020, 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' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

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%
華融華僑資產管理股份有限公司 (note 5)	Interest in controlled corporation	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 controlled corporation	172,352,000 (L)	11.49%
Haitong International Securities Group (Singapore) Pte. Ltd. (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Haitong International Securities Group Limited (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Haitong Securities Co., Ltd. (note 6)	Interest in controlled corporation	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 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 charged the Shares in favour of another 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. 華融華僑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 of the Company (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 of the Company 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 the Group.

The subscription price of a share of the Company 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 shares 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.

Other Information

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 2020). 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 2020, 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 Period. The Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the shares as at 30 June 2020.

INTERIM DIVIDEND

The Board of Directors resolved not to distribute any interim dividend for the Period (2019 H1: nil).

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 2020. 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.

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

Hong Kong, 31 August 2020

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020	2019
		USD'000	USD'000
		(Unaudited)	(Unaudited)
REVENUE	6	**–**	814,757
Cost of sales		**–**	(804,854)
Gross profit		**–**	9,903
Other income and gains	8	**673**	879
Selling and distribution expenses		**(15)**	(381)
Administrative and other expenses		**(2,280)**	(2,288)
Impairment loss on financial asset, net of reversal		**(17,743)**	–
Finance costs	9	**(9,281)**	(4,659)
(LOSS)/PROFIT BEFORE TAX		**(28,646)**	3,454
Income tax expense	10	**–**	(609)
(LOSS)/PROFIT FOR THE PERIOD	11	**(28,646)**	2,845
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(375)**	(2)

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

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 USD'000 (Unaudited)	2019 USD'000 (Unaudited)
Item that will not be reclassified subsequently to profit or loss:			
Net changes in fair value of financial assets at fair value through other comprehensive income		**–**	(1,153)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD		**(375)**	(1,155)
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD		**(29,021)**	1,690
(LOSS) PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(28,646)**	2,845
Non-controlling interests		**–**	–
		(28,646)	2,845
TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(28,974)**	1,690
Non-controlling interests		**(47)**	–
		(29,021)	1,690
(Loss) earnings per share attributable to the owners of the Company:			
Basic and diluted (US cents)	13	**(1.91)**	0.19

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	**30 June 2020 USD'000 (Unaudited)**	31 December 2019 USD'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**2,092**	2,577
Intangible assets		**12,349**	12,881
Right-of-use assets	14	**5**	218
Financial assets at fair value through other comprehensive income	15	**9,697**	9,992
Goodwill		**6,718**	6,718
Total non-current assets		**30,861**	32,386
CURRENT ASSETS			
Trade receivables	16	**191,527**	217,959
Deposits, prepayments and other receivables	17	**7,646**	7,552
Cash and cash equivalents		**77**	102
		199,250	225,613
Non-current assets classified as held for sales	18	**18,363**	18,363
Total current assets		**217,613**	243,976
CURRENT LIABILITIES			
Trade payables	19	**1,926**	10,292
Other payables and accruals	20	**20,422**	12,622
Lease liability	14	**7**	87
Amount due to ultimate holding company		**60,000**	60,000
Bank and other borrowings	21	**54,683**	54,683
Notes and bonds	22	**42,802**	40,872
Income tax payable		**3,714**	3,714
Total current liabilities		**183,554**	182,270
Net current assets		**34,059**	61,706
Total assets less current liabilities		**64,920**	94,092
NON-CURRENT LIABILITIES			
Lease liability	14	**–**	167
Provision for rehabilitation		**525**	509
Deferred tax liabilities		**2,930**	2,930
Total non-current liabilities		**3,455**	3,606
Net assets		**61,465**	90,486
EQUITY			
Share capital	23	**1,934**	1,934
Reserves		**57,840**	86,814
Equity attributable to owners of the Company		**59,774**	88,748
Non-controlling interests		**1,691**	1,738
Total equity		**61,465**	90,486

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company										
	Share capital USD'000 (note 24)	Share premium USD'000 (note (i))	Capital reserve USD'000 (note (ii))	Contributed surplus USD'000 (note (iii))	Fair value reserve of financial assets at FVTOCI USD'000 (note (iv))	Other reserve USD'000 (note (v))	Exchange fluctuation reserve USD'000	(Accumulated losses)/ retained earnings USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
At 1 January 2019	1,934	47,541	14,956	50	(2,733)	48,287	(4,509)	45,572	151,098	1,713	152,811
Effect of adoption of IFRS 16	–	–	–	–	–	–	–	(45)	(45)	–	(45)
As at 1 January 2019 (restated)	1,934	47,541	14,956	50	(2,733)	48,287	(4,509)	45,527	151,053	1,713	152,766
Profit for the period	–	–	–	–	–	–	–	2,845	2,845	–	2,845
Other comprehensive income/(loss) for the period:											
Exchange differences related to foreign operations	–	–	–	–	–	–	(2)	–	(2)	–	(2)
Changes in fair value of financial assets at FVTOCI, net of tax	–	–	–	–	(1,153)	–	–	–	(1,153)	–	(1,153)
Total comprehensive income/(loss) for the period	–	–	–	–	(1,153)	–	(2)	2,845	1,690	–	1,690
30 June 2019 (audited)	1,934	47,541	14,956	50	(3,886)	48,287	(4,511)	48,372	152,743	1,713	154,456
At 1 January 2020	**1,934**	**47,541**	**14,956**	**50**	**(8,008)**	**48,287**	**(4,417)**	**(11,595)**	**88,748**	**1,738**	**90,486**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28,646)**	**(28,646)**	**–**	**(28,646)**
Other comprehensive expense for the period:											
Net changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**(328)**	**–**	**(328)**	**(47)**	**(375)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(328)**	**(28,646)**	**(28,974)**	**(47)**	**(29,021)**
At 30 June 2020 (unaudited)	**1,934**	**47,541***	**14,956***	**50***	**(8,008)**	**48,287**	**(4,745)***	**(40,241)**	**59,774**	**1,691**	**61,465**

Notes:

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the consolidated financial statements.

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(ii) Capital reserve

Capital reserve represented: (i) differences arising from acquisition of non-controlling interests and reserve arising from the waiver of debts by the former shareholders of the Company in prior years of USD13,825,000; (ii) the difference between the nominal amount of USD15,000,000 and the fair value of USD13,887,000 of the interest-free loan granted by the ultimate holding company during the year ended 31 December 2015. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and the present value of USD1,131,000 is treated as equity contribution from the ultimate holding company and credited to the capital reserve account.

(iii) Contributed surplus

Contributed surplus represented the difference between the nominal value of shares of the subsidiary acquired pursuant to the Group's reorganization in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited and the previous nominal value of the Company's shares issued in exchange therefor.

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets at fair value through other comprehensive income at the end of the reporting period and is dealt with in accordance with the accounting policies stated in the Group's annual consolidated financial statements for the year ended 31 December 2019.

(v) Other reserve

Other reserve represented the difference between the amount of the adjustment to non-controlling interests and the consideration received arising from the disposal of the 9.12% of the issued shares of a subsidiary of the Group which did not result in loss of control of that subsidiary.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020	2019
		USD'000	USD'000
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Cash (used in) generated from operations		**(636)**	9,341
Income tax paid		**–**	(420)
Net cash (used in)/generated from operating activities		**(636)**	8,921
INVESTING ACTIVITIES			
Interest received		**640**	850
FROM FINANCING ACTIVITIES			
Interest paid		**–**	(4,330)
Repayment of lease liabilities		**(13)**	(165)
Repayment of bank and other borrowings		**–**	(4,417)
Repayment of notes		**–**	(924)
Repayment of bonds		**(38)**	–
Net cash used in financing activities		**(51)**	(9,836)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(47)**	(65)
Cash and cash equivalents at beginning of period		**102**	183
Effect of foreign exchange rate changes		**22**	11
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH		**77**	129

Notes to Unaudited Interim Condensed Financial Information

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

CAA Resources Limited (the "**Company**") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 April 2012 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 July 2013.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1–1111, Cayman Islands. Since October 2019, the address of the principal place of business of the Company has changed to Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

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

The Company is an investing holding company. Its major operating subsidiaries are mainly engaged in the mining, ore processing, sales of iron ore products and other commodities.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are United Status dollars ("**US$**") while that of the subsidiaries established in the People's Republic of China (the "**PRC**" or "**China**"), Malaysia and Singapore are Renminbi ("**RMB**"), Malaysia Ringgit ("**MYR**") and Singapore Dollar ("**SGD**") respectively. For the purpose of presenting the unaudited interim condensed consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") adopted US$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**").

During the six months ended 30 June 2020, the Group incurred a net loss attributable to the owners of the Company of approximately US$28,646,000 and had net cash outflows used in operating activities of approximately US$636,000. As at 30 June 2020, the Group's amount due to ultimate holding company, bank and other borrowings, guarantee notes and bonds amounted to approximately US$157,485,000, while its cash and cash equivalents amount to approximately US$77,000 only.

2. BASIS OF PREPARATION (Continued)

As at 30 June 2020, borrowings whose principal amounts of approximately US$155,014,000 and interest payable amounts of approximately US$16,856,000 were overdue. In addition, the Group breached terms and conditions of overdue borrowings during the six months ended 30 June 2020. The aforementioned borrowings would be immediately repayable if requested by the lenders.

As set out in the announcement by the Company dated 20 January 2020, Mr. Li Yang ("**Mr. Li**"), the Director, chairman and chief executive officer of the Company, received a writ of summons taken out by Oversea-Chinese Banking Corporation Limited ("**OCBC**") at the High Court of Hong Kong ("**High Court Action 2**") in relation to the OCBC loan, in which Mr. Li failed to fulfil his obligation as a guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC loan (the "**Breach**"), and the Breach will trigger cross defaults of other borrowings and loans of the Group.

On 15 May 2020, Mr. Li, the Director, chairman and chief executive officer of the Company, and Cosmo Field, the ultimate holding company of the Company, received a writ of summons taken out by Industrial Bank Co., Limited ("**Industrial Bank**") at the High Court of Hong Kong ("**High Court Action 1**") in relation to a loan advanced by Industrial Bank to Cosmo field (the "**Industrial Bank Loan**"), for which Mr. Li was the guarantor. Pursuant to the High Court Action 1, Industrial Bank brought claim against Cosmo Field and Mr. Li with respect to the default in repayment of the Industrial Bank Loan in the amount of US$45,059,154 (the "**Default on Industrial Bank Loan**"). Cosmo Field has pledged 752,000,000 shares (representing 50.13% of all issued shares of the Company) in favour of Industrial Bank as security for the Industrial Bank Loan. Cosmo Field has lent the principal amount of the Industrial Bank Loan being US$40,000,000 (i.e. Shareholder's Loan) to the Company as an interest-free loan, and Industrial Bank is entitled to claim against the Company for the repayment of the Shareholder Loan pursuant to the assignment of loan as part of security arrangement for the Industrial Bank Loan whereby Cosmo Field has assigned the rights under the Shareholder's Loan to Industrial Bank.

The Group is in active negotiations with all the lenders in respect of the overdue borrowings for renewal and extension of the relevant borrowings and the Directors are confident that agreements will be reached in due course.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Further, the Group's mine sales subsequent to the year end has been significantly affected by the outbreak of coronavirus disease 2019 ("**COVID-19 outbreak**"), which will have an impact on the Group's cash flows.

2. BASIS OF PREPARATION (Continued)

In view of these circumstances, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(i) Cosmo Field, the ultimate holding company has agreed not to demand for any repayment of amount due by the Company of approximately US$60,000,000 as at 30 June 2020 until the Company is in a financial position to do so;

(ii) The Group has been actively negotiating with existing lenders for renewal and extension of bank loans and credit facilities;

(iii) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operation from time to time and adjust its sales and marketing strategy for its mine sales to generate sufficient cash from its operations;

(v) The Group has implemented measures to speed up the collection of outstanding trade debts proceeds; and

(vi) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

Assuming the success of the above refinancing measures, the Directors are of the opinion that it is appropriate to prepare the interim financial report on a going concern basis. The interim financial report does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to operate as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial assets that are measured at fair values.

The accounting policies used in the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

4. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current interim period, the Group has applied, for the first time, the following new, amendments and interpretation ("**new IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") which are effective for the Group's financial year beginning 1 January 2020.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Conceptual framework for 2018 Reporting	*Revised Conceptual Framework for Financial Reporting*

The application of above new and amendments to IFRSs in the current interim period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these interim condensed consolidated financial statements.

5. SIGNIFICANT EVENTS AND TRANSACTIONS

Since early 2020, COVID-19 pandemic has brought about additional uncertainties in the Group's operating environment and has impacted the group's operations and financial position. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways:

i) A reduction in the supply of goods and iron ore mining and processing operation from regions has affected our ability to continue the commercial trade and iron ore mining and processing operation.

ii) Due to government measures taken, the Group had to close or scale down our production as of February 2020.

iii) The reduction of economic activity to close our requirement for all our employees to work from home has resulted in a significant reduction in sales/productivity.

iv) Under the COVID-19 outbreak, governments of various countries have implemented restrictions on foreigners' entry. The Group's business personnel cannot meet with suppliers and customers in other countries for business negotiations, and therefore cannot develop new businesses.

v) In addition, the Group's original trade receivables were severely affected by the COVID-19 outbreak in which the capital turnover was difficult, and the due trade receivables could not be paid on time, resulting in overdue trade receivable.

5. SIGNIFICANT EVENTS AND TRANSACTIONS (Continued)

In view of these circumstances, the Directors have given consideration to the future liquidity and performance of the Group and its available sources of finance to improve the operation and financial performance, the Group implemented or is in the process of implementing the following measures:

(a) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring daily operating expenses.

(b) The Group is actively monitoring the mining production so as not to incur any unexpected significant capital cash outflow.

(c) The Group is actively following up with its debtors on outstanding receivables.

The Group estimates that the above measures would bring about sufficient cash to ensure that the Group will continue as a going concern. In light of the COVID-19 outbreak, the operation of the mines in Malaysia has been temporary suspended. Management expects the operation of these mines will gradually begin as the Group's employees (including the employees of the Group's contractors) have gradually returned to the mines. Therefore, the management will continue to monitor and assess the ongoing development and respond accordingly.

6. REVENUE

Revenue represents revenue arising on sales of iron ore products, crude oil and other commodities. An analysis of the Group's revenue for the period is as follows:

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of iron ore products	**–**	122,372
– Sales of crude oil	**–**	492,898
– Sales of commodities	**–**	199,487
	–	814,757

6. REVENUE (Continued)

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition and geographical markets, arising from different reporting segments:

For the six months ended 30 June 2019	Iron ore mining and processing operation US$'000 (Unaudited)	Commercial trade US$'000 (Unaudited)	Total US$'000 (Unaudited)
Revenue from goods:			
– Sales of iron ore products	4,500	117,872	122,372
– Sales of crude oil	–	492,898	492,898
– Sales of commodities	–	199,487	199,487
	4,500	810,257	814,757
Timing of revenue recognition:			
– At a point in time	4,500	810,257	814,757
Geographical markets:			
– PRC	–	810,257	810,257
– South Korea	–	–	–
– Malaysia	4,500	–	4,500
	4,500	810,257	814,757

Since the Group does not generate any revenue during the six months ended 30 June 2020, no disaggregation at the Group's revenue from contracts with customers for the six months ended 30 June 2020 is presented.

7. OPERATING SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Iron ore mining and processing operation — mining and sales of iron ore;
- Commercial trade — trading of crude oil and other commodities; and
- Financing operation — investment in equity securities and other financial services.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the six months ended 30 June 2020

	Iron ore mining and processing operation US$'000 (Unaudited)	Commercial trade US$'000 (Unaudited)	Financing operation US$'000 (Unaudited)	Total US$'000 (Unaudited)
Segment revenue	–	–	–	–
Segment (loss) profit	(507)	(21,639)	544	(21,602)
Unallocated income				33
Unallocated corporate expenses				(1,544)
Unallocated finance costs				(5,584)
Impairment loss on other receivables				51
Loss before taxation				(28,646)

7. OPERATING SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 30 June 2019

	Iron ore mining and processing operation US$'000 (Unaudited)	Commercial trade US$'000 (Unaudited)	Financing operation US$'000 (Unaudited)	Total US$'000 (Unaudited)
Segment revenue	4,500	810,257	–	814,757
Segment (loss) profit	(239)	5,255	850	5,866
Unallocated income				29
Unallocated corporate expenses				(1,712)
Unallocated finance costs				(729)
Profit before taxation				3,454

Segment (loss) profit represents the (loss) profit of each segment without allocation of central and other operating expenses, other income and gain, and finance costs. This is the measure reported to the CODM with respect to the resource allocation and performance assessment.

7. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Iron ore mining and processing operation	**14,966**	16,138
Commercial trade	**190,780**	217,017
Financing operations	**5,983**	5,568
Total segment assets	**211,729**	238,723
Corporate and other assets	**36,745**	37,639
Total assets	**248,474**	276,362

Segment liabilities

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Iron ore mining and processing operation	**665**	659
Commercial trade	**60,784**	129,437
Financing operations	**–**	–
Total segment liabilities	**61,449**	130,096
Corporate and other liabilities	**125,560**	55,780
Total liabilities	**187,009**	185,876

7. OPERATING SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

— All assets are allocated to operating segment, other than unallocated property, plant and equipment, right-of-use assets, financial assets at fair value through the statement of other comprehensive income ("**FVTOCI**"), goodwill, unallocated deposits, prepayments and other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

— All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, lease liabilities, amount due to ultimate holding company, bank and other borrowings, notes and bonds and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

8. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest income from loan receivables	**640**	850
Exchange gain, net	**–**	29
Gain on derecognition of right-of-use assets	**33**	–
	673	879

9. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interests on:		
– bank and other borrowings	**6,463**	1,838
– notes	**2,578**	2,766
– bonds	**222**	–
– lease liabilities	**2**	40
Unwinding of discount on provision	**16**	15
	9,281	4,659

10. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	587
Under provision in prior years:		
Hong Kong Profits Tax	**–**	22
	–	609

11. (LOSS) PROFIT FOR THE PERIOD

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Staff Costs (including Directors' and chief executive's remuneration)	**661**	919
Depreciation of property, plant and equipment	**384**	449
Depreciation of right-of-use assets	**10**	133
Amortisation of intangible assets	**–**	11
Impairment loss on trade receivables, net of reversal loss allowance on trade receivables	**17,698**	–
Impairment loss on other receivables, net of reversal loss allowance on other receivables	**45**	–
Amount of inventories recognised as an expense	**–**	804,480
Operating lease charges in respect of rented premises	**52**	52
Exchange loss (gain), net	**549**	–

12. DIVIDENDS

No dividend was paid or proposed during the period ended 30 June 2020 and 2019, nor has any dividend been proposed since the end of the Period.

13. (LOSS) EARNINGS PER SHARE

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(28,646)**	2,845
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000 shares)	**1,500,000**	1,500,000

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding for the periods ended 30 June 2020 and 2019.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Office premise	–	71
Motor Vehicles	5	147
	5	218

(ii) Lease liabilities

As at 30 June 2020, the carrying amount of lease liabilities was approximately US$7,000 (31 December 2019: approximately US$254,000).

(iii) Amount recognised in profit or loss

	For the six months ended 30 June	
	2020 US$'000 (Unaudited)	2019 US$'000 (Unaudited)
Depreciation of right-of-use assets	10	133
Interests on lease liabilities	2	40
Expenses relating to short-term leases	52	52

(iv) Others

For the six months ended 30 June 2020, the total cash outflow for lease amount to approximately US$13,000 (six months ended 30 June 2019: nil).

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Equity investments designated as at FVTOCI:		
– Unlisted	**9,697**	9,992
Analysed for reporting purposes as:		
– Non-current assets	**9,697**	9,992

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in Cayman Island and the PRC.

In the opinion of the Directors, these equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these equity investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

16. TRADE RECEIVABLES

The Group normally allows a credit period of not more than 120 days to its customers, although an extension of the credit period is not uncommon for customers who have a long term relationship with the Group.

The following is an aged analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period.

16. TRADE RECEIVABLES (Continued)

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Within 30 days	–	5,064
31–60 days	–	18,356
61–120 days	–	70,403
Over 120 days	**191,527**	124,136
	191,527	217,959

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Loan receivables from a company (note i)	**7,363**	6,852
Deposits	**32**	33
Prepayments	**12**	145
Other receivables	**1,993**	2,230
	9,400	9,260
Less: loss allowance	**(1,754)**	(1,708)
	7,646	7,552

Note:

i) As at 30 June 2020, the amount represents a loan with the principal amount of approximately US$6,389,000 (31 December 2019: US$6,518,000) made to Shenzhen Wanyuntong Real Estate Development Company Limited* 深圳市萬運通房地產開發有限公司 ("**Shenzhen Wanyuntong**") and the interest receivables of approximately US$974,000 (31 December 2019: US$334,000) thereon. The loan carried effective interest at fixed rates at 20% per annum, unsecured and repayable with interest upon three months' notice by the Group. Details of the loan are set out in the Company's announcement dated 24 December 2015.

18. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALES

During the year ended 31 December 2019, the Group decided to dispose the entire, 33.3% of equity interest in an associate, as management has the view that results of the business is behind their expectation. The Directors expect the disposals will be completed before the end of December 2020. As the marketing process has already begun before 31 December 2019, the assets with a carrying amount of approximately US$18,363,000 have been classified as held for sale in the consolidated statement of financial position as at 30 June 2020 and 31 December 2019.

On 16 April 2020, the directors of Best Sparkle Development Limited ("**Best Sparkle**") are decided to terminate the agreement with the controlling shareholder of Pembinaan Sponge Iron (as defined below) and request the controlling shareholder of Pembinaan Sponge Iron Sdn. Bhd. ("**Pembinaan Sponge Iron**") to dissolve Pembinaan Sponge Iron and return to Best Sparkle of the contributed shares. On 13 July 2020, Best Sparkle transferred 33.3% equity shares of Pembinaan Sponge Iron to the controlling shareholder of Pembinaan Sponge Iron while 9.12% of the issued shares of Pacific Mining Resources Sdn. Bhd., a subsidiary of Best Sparkle, which was initially contributed by Best Sparkle to Pembinaan Sponge Iron, is now returned to Best Sparkle. For details, please refer to the announcement dated 14 December 2018.

19. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2020 USD'000 (Unaudited)	31 December 2019 USD'000 (Audited)
Within 90 days	**–**	8,372
91 to 365 days	**1,926**	1,920
	1,926	10,292

The average credit period granted by its suppliers ranging from 30 to 60 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

20. OTHER PAYABLES AND ACCRUALS

	30 June 2020 USD'000 (Unaudited)	31 December 2019 USD'000 (Audited)
Other payables	3,137	2,000
Interest payables	17,144	9,834
Accruals	141	788
	20,422	12,622

21. BANK AND OTHER BORROWINGS

	As at 30 June 2020 US$'000 (Unaudited)	As at 31 December 2019 US$'000 (Audited)
Bank loans	36,533	36,533
Other loan	18,150	18,150
	54,683	54,683

Set out below is the information relating to the Group's bank and other borrowing as at 30 June 2020:

(a) As at 30 June 2020, bank loans of approximately US$36,533,000 (31 December 2019: US$36,533,000) is variable-rate loans. The variable-rate loans carry effective interest rate ranging from 9.37% to 9.50% per annum (31 December 2019: 9.37% to 9.59% per annum).

(b) As at 30 June 2020, certain of the Group's bank loans amounting to US$36,533,000 (31 December 2019: US$36,533,000) were secured by certain of the Group's trade receivables of an aggregate carrying value of approximately US$205,049,000 (31 December 2019: US$229,472,000) and were guaranteed by the Company and a director of the Company.

(c) As set out in the announcement by the Company dated 20 January 2020, Mr. Li, an executive Director, chairman and chief executive officer of the Company, received a writ of summons taken out by OCBC against Mr. Li at the High Court of Hong Kong for the failing to fulfil his obligation as guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC Loan, and the Breach will trigger cross-defaults of other borrowings and loans of the Group.

21. BANK AND OTHER BORROWINGS (Continued)

(d) As at 31 December 2019, other loan represented a loan advanced to the Company with aggregate principal amount of US$18,150,000 and secured by the guarantee provided by Mr. Li, the Director. Other loan carried fixed interest rate of 3% per month and repayable on 9 July 2019. After 9 July 2019, other loan carried fixed default interest rate of 5% per month during the year. On 15 June 2020, the lender of other loan, the Company and an independent assignee signed a deed of assignment of loan. As at that day, the total outstanding principal amount of loan approximately US$18,150,000 (equivalent to HK$141,800,000) and total interest accrued and other payable under the loan agreement but unpaid amount approximately to US$7,986,000 (equivalent to HK$62,392,000) were assigned to an independent assignee. After 15 June 2020, the amount of other borrowing of US$18,500,000 is unsecured, carried fixed interest rate of 5% per month and repayable on demand.

(e) As at 30 June 2020, bank loans of US$36,533,000 (31 December 2019: US$36,533,000) were denominated in US$. As at 30 June 2020, other loan of US$18,150,000 (31 December 2019: US$18,150,000) was denominated in HK$.

22. NOTES AND BONDS

	30 June 2020 USD'000 (Unaudited)	31 December 2019 USD'000 (Audited)
Notes		
– Note 1 (note a)	**22,331**	20,393
– Note 2 (note b)	**18,000**	18,000
	40,331	38,393
Corporate bond (note c)	**2,471**	2,479
Total	**42,802**	40,872

22. NOTES AND BONDS (Continued)

Set out below is the information relating to the Group's notes and bonds as at 30 June 2020:

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 senior guaranteed notes (the "**Note 1**") in the principal amount of HK$164,865,750 (equivalent to approximately US$21,270,000) with a final redemption date falling 18 months after the date of issue. The net proceeds amounted to approximately US$20,000,000 as at the issue date. The interest rate for the Note 1 was 12% per annum (the "**Original interest rate**") and shall be payable quarterly.

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

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

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

- trading in the Company's shares on the Stock Exchange is suspended for more than five consecutive trading days or twenty trading days in any period of twelve months or the closing price per share of the Company shall be less than a specified price during five 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.

(2) 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.

(3) Guarantees

The Note 1 prior to the final redemption date without the prior written consent of the holders of the Note 1.

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 Noteholder 1 pursuant to which the Noteholder 1 has agreed to extend the final redemption date of the Note 1 from 19 March 2018 to 19 May 2018, with an agreed 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 US$2,000,000 to the Noteholder 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.

22. NOTES AND BONDS (Continued)

Notes:

(a) (Continued)

On 19 May 2018, the Noteholder 1 agreed to further extend the final redemption date of the Note 1 from 19 May 2018 to 31 December 2018. Both the Noteholder 1 and the Company agreed that the Company shall make payment to the Noteholder 1 of an amount of US$500,000 on the last day of each month during the calendar year of 2018, commencing 31 May 2018, save that the amount payable on 31 December 2018 shall be an amount equal to all remaining indebtedness due on or in respect of the Note 1 outstanding at such time, and each payment shall apply first in payment of interest and any other amounts due on or in respect of the Note 1 and thereafter in redemption of the balance of the principal outstanding on the Note 1.

Around and upon maturity, the Company and the Noteholder 1 renegotiated the terms of the Note 1 and entered into another Letter Agreement ("**New Letter Agreement**") with the Noteholder 1 to further extend the final redemption date from 31 December 2018 to 30 June 2019 on the condition that, among others, the Company shall make payment to the Noteholder 1 of an amount of US$3,000,000 on or before 29 March 2019 and thereafter in an amount of US$500,000 on the last day of each succeeding month commencing on 31 March 2019 save that the amount payable on 30 June 2019 shall be an amount equal to all remaining indebtedness due on or in respect of the Note 1 outstanding at such time, and each payment shall apply first in payment of interest and any other amounts due on or in respect of the Note 1 and thereafter in redemption of the balance of the principal outstanding on the Note 1. According to the New Letter Agreement, interest shall continue to accrue on the principal balance of the Note 1 at a rate of 10% on top of the Original interest rate per annum.

As referred to note (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. As at 31 December 2017, the Debt Ratio had exceeded the specified ratio under the terms of the Note 1. According to the Letter Agreement, the Noteholder 1 had 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 Noteholder 1 further agreed to waive the condition regarding the Debt Ratio with respect to the Group's unaudited interim financial information for the six months ended 30 June 2018.

During the year ended 31 December 2018, 9.12% of the issued shares of Pacific Mining was issued to an independent third party. According to the New Letter Agreement, the Noteholder 1 had agreed to extend its consent to the covenant with respect to the disposal of the 9.12% the issued shares of Pacific Mining.

22. NOTES AND BONDS (Continued)

Notes:

(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 US$20,000,000 with a maturity date of two years from the date of issue. The net proceeds amounted to approximately US$19,800,000 as at the issue date. The interest rate shall be payable by semi-annually.

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

(1) 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 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 is suspended for five consecutive trading days or more for any reason or cessation of trading of the Company's shares on the Stock Exchange for any reason.

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.

(2) 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.

(3) Guarantees and securities

The Note 2 were guaranteed by Cosmo Field and Mr. Li and secured by an aggregate of 172,352,000 shares of the Company.

22. NOTES AND BONDS (Continued)

Notes:

(c) In October 2019, the Company issued an unlisted corporate bond, (namely "**2019 Bond**") with a principal amount of HK$20,000,000 (equivalent to approximately US$2,560,000). These corporate bonds carry nominal interest rates of 15.00% per annum with denomination and issue price of HK$500,000 (equivalent to approximately US$64,000) and periods of three years. The net proceeds amounted to approximately US$2,471,680 as at the issue date. The interest rate shall be payable by annually.

The Company has the right by giving to a bondholder not less than ten working days' written notice at any time and from time to time prior to the maturity date, i.e. three years after the bond issue date (the "**Redemption Period**"). No right of redemption is granted by the Company during the redemption period.

On 4 February 2020, a statutory demand under the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("**Statutory Demand**") was served on the Company by I-Access to demand the Company to pay the outstanding amount of HK$21,019,178 ("**I-Access debt**") (equivalent to approximately US$2,690,000) within 21 days after the date of the Statutory Demand for repayment of the I-Access debt. On 8 May 2020, the Company and I-Access entered a terms sheet of extended payment schedule (the "**extended payment schedule**") and provided the Company shall be payable of the I-Access debt for six installments to 22 June 2021. The Group settled an aggregate amount of HK$300,000 to I-Access subsequently in May and June 2020, which in accordance with the extended payment schedule. The company is now negotiating with 1-Access to further extend the repayment schedule.

As at 30 June 2020, the accrued interests for the corporate bond are recorded in interest payable (note 20) was approximately US$288,000 (31 December 2019: US$96,000).

23. SHARE CAPITAL

	Number of shares '000	Share capital US$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	**3,000,000**	**3,867**
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020	**1,500,000**	**1,934**

24. DIVIDENDS

At a meeting of the board of directors held on 31 August 2020, the Directors resolved not to pay an interim dividend to shareholders for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

25. RELATED PARTY TRANSACTIONS

(a) Banking facilities

For the period ended 30 June 2020 and 30 June 2019, a Director, Mr. Li, provided guarantee for the grant of banking facilities to the Group.

For the period ended 30 June 2020 and 30 June 2019, a Director, Mr. Li, Mr. Li's family member and Cosmo Field, the ultimate holding company provided guarantee for the issued 12% senior guaranteed note of the Group.

For the period ended 30 June 2020 and 30 June 2019, a Director, Mr. Li and Cosmo Field provided guarantee for the issued 7% fixed coupon guaranteed note of the Group.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	For the six months ended 30 June	
	2020	2019
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**312**	464
Post employment benefits	**5**	12
	317	476

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 30 June 2020 and 31 December 2019, some of the Group's financial assets are measured at fair value. The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	At 30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	USD'000	**USD'000**	**USD'000**	**USD'000**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	
Financial liabilities at FVTOCI				
– Unlisted equity investments	**–**	**–**	**9,697**	**9,697**

	At 31 December 2019			
	Level 1	Level 2	Level 3	Total
	USD'000	USD'000	USD'000	USD'000
	(Audited)	(Audited)	(Audited)	
Financial liabilities at FVTOCI				
– Unlisted equity investments	–	–	9,992	9,992

There were no transfers between levels of fair value hierarchy in the current period and prior years.

26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	Fair value hierarchy	Fair value as at		Valuation technique
		30 June 2020 US$ (Unaudited)	31 December 2019 US$ (Audited)	
Unlisted equity investments	Level 3	**8,484**	8,742	Market approach — earnings multiples
Unlisted equity investments	Level 3	**1,213**	1,250	Market approach — Market value of invested capital
		9,697	9,992	

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity investments US$'000
At 1 January 2019 (audited)	15,267
Total loss in other comprehensive income	(5,275)
At 31 January 2019 and 1 January 2020 (audited)	**9,992**
Exchange alignment	**(295)**
At 30 June 2020 (unaudited)	9,697

27. LITIGATIONS

On 4 February 2020, a statutory demand dated under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) was served on the Company by I-Access Investors Limited (the "**Creditor**") to demand the Company to pay the alleged outstanding debt in the amount of approximately HK$21,019,000 (equivalent to US$2,690,000) (the "**Debt**") within 21 days after the date of the Statutory Demand to pay the Debt. On 5 July 2020, the Group's and the creditor renegotiated the terms of repayment with aggregate carrying amount at the end of reporting period approximately of US$2,479,000 and agreed a repayment schedule pursuant to which the above outstanding debt plus interest are to be settled by six instalments and should be fully repayable on 22 June 2021.

On 13 May 2020, the Company received a writ of summons issued in the District Court of Hong Kong by the solicitors acting for Capital Financial Press Limited as the plaintiff (the "**Plaintiff**"), against the Company for the sum of HK$198,156 (equivalent to US$25,634), being money payable by the Company to the Plaintiff for printing service by the Plaintiff for the Company. On 19 June 2020, the Company settled total sum of HK$230,000 in full and final settlement of the Plaintiff claims.

28. EVENT AFTER THE REPORTING PERIOD

(a) Impact of COVID-19 outbreak

The COVID-19 outbreak continues to cause disruptions to the Group's businesses and economic activities and the management of the Group has closely monitored its impact on the operations. Subsequent to 30 June 2020 and as at the date of this announcement, the Group has taken several measures to resume work and ensure safety of the Group's employees, and the operation in operating mines are gradually resuming. The Group expects that save and except for any extraordinary circumstance which are beyond the expectation of the management, following the gradual recovery of the COVID-19 outbreak, any reasonable adverse price fluctuation of the Group's major products as a result of the COVID-19 outbreak will not significantly cause severe negative impact to the Group's cash flow. The management will continue to monitor and assess the ongoing development and respond accordingly.

(b) Disposal of non-current assets classified as held for sale

On 16 April 2020, the directors of Best Sparkle Development Limited ("**Best Sparkle**") are decided to terminate the agreement with the controlling shareholder of Pembinaan Sponge Iron (as defined below) and request the controlling shareholder of Pembinaan Sponge Iron Sdn. Bhd. ("**Pembinaan Sponge Iron**") to dissolve Pembinaan Sponge Iron and return to Best Sparkle of the contributed shares. On 13 July 2020, Best Sparkle transferred 33.3% equity shares of Pembinaan Sponge Iron to the controlling shareholder of Pembinaan Sponge Iron while 9.12% of the issued shares of Pacific Mining Resources Sdn. Bhd., a subsidiary of Best Sparkle, which was initially contributed by Best Sparkle to Pembinaan Sponge Iron, is now returned to Best Sparkle. For details, please refer to the announcement dated 14 December 2018.

29. APPROVAL OF THE INTERIM CONDENSED FINANCIAL INFORMATION

The unaudited interim condensed financial information was approved and authorised for issue by the board on 31 August 2020.