Grace Life-tech Holdings Limited
恩典生命科技控股有限公司

(formerly known as "CAA Resources Limited 優庫資源有限公司*")
(Incorporated in the Cayman Islands with limited liability)
(Joint Provisional Liquidators appointed)
(For restructuring purposes only)
(Stock Code: 02112)

2023
INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Yang
(Co-Chairman and Chief Executive Officer)
Mr. Ng Khing Yeu *(Co-Chairman)*
Ms. Li Xiaolan
Mr. Wang Er

Independent Non-Executive Directors

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

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

REGISTERED OFFICE

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

AUTHORISED REPRESENTATIVES

Mr. Li Yang
Mr. Chen Kun

COMPANY SECRETARY

Mr. Chen Kun (Solicitor of HKSAR)

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 1101, Tower 1,
Cheung Sha Wan Plaza,
833 Cheung Sha Wan Road,
Lai Chi Kok, Kowloon,
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY WEBSITE

www.caa-resources.com

STOCK CODE

02112

HIGHLIGHTS

- The Group's revenue was approximately USD15.1 million for the six months ended 30 June 2023 (the "**Period**") as compared to approximately USD18.4 million recorded for the six months ended 30 June 2022 (the "**Prior Period**" or "**2022 H1**").

- The gross profit recorded for the Period was approximately USD2.0 million as compared to approximately USD2.6 million for the Prior Period.

- The Group recorded a loss of approximately USD10.5 million for the Period as compared to a loss of approximately USD4.2 million for the Prior Period. Such increase in loss was due to increase in expenses, and the waiver of principal and interest of bonds issued by the Company in the Prior Period, which did not occur during the Period.

- The Board does not recommend the payment of an interim dividend for the Period (for the Prior Period: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The board of Directors ("Board") of the Company is pleased to present the interim results of the Group for the six months ended 30 June 2023.

OVERVIEW OF BUSINESS DEVELOPMENT

The Company acts as an investment holding company, and its principal business activities are: 1) plant stem cell extracts and the food and beauty products added with plant stem cell; 2) iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products; and 3) investment holding. The Group is also engaged in the trading of other products during the six months ended 30 June 2023 ("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.

During the reporting Period, our Company's plant stem cell business has shown a rapid development momentum, and its proportion in the Company's total revenue is increasing year by year. The trend of significant rise not only highlights the strong growth of this business area, but also establishes it as an indispensable strategic business component and it became the main source of revenue of our Company. After a period of time, the plant stem cell business has been deeply integrated into the Company's operating structure and has become a key pillar of the Company's overall revenue structure, reflecting the growing market demand for this field. As an important engine for the Company's future development, the plant stem cell business will continue to be the core element of the Company's strategic decision-making. The Company will continue to strive to enhance its leadership in this field, and ensure that we continue to create value for shareholders and customers and realize our grand vision of sustainable growth by continuously expanding our business scope, strengthening innovation capabilities, and providing excellent products and services.

Through the unremitting efforts of the Chinese government, the strict entry and exit control policy has been lifted in 2022. This enables the Company to continue to drive business development and make positive progress in the gradually recovering global economic environment. Considering the increasing human cost of operating senior management and technical personnel in China, we carefully assessed the long-term sustainability of the business and the challenges in maintaining the profitability of the business. At the same time, since 2022, our iron ore business has been outsourced to the local team in Malaysia, which has achieved good operating conditions. This initiative has not only achieved remarkable results in terms of production and processing activities, but also achieved considerable returns in terms of economic benefits. Compared with the same period last year, the Group's iron ore business has achieved significant growth. Based on these positive factors, the Company decided to continue to adopt the outsourcing business model and keep the production and processing activities of iron ore business in the local team in Malaysia. The Company firmly believes that this decision will help reduce costs and improve business efficiency, and also help better respond to the changing market environment. The Company will work closely with the team located in Malaysia to jointly promote the steady growth of the business and lay a solid foundation for the Company's long-term sustainable development.

The Company's deployment in exploring plant stem cell business, electronics business and other fast-moving consumer goods business has achieved initial success, which fully demonstrates the potential and vitality of our diversified business operation strategy. Since we expanded our business to the abovementioned fields, the Company has not only made remarkable progress in the market, but also laid a solid foundation for the Company's future sustainable growth. Looking forward to the future, the Company will continue to adhere to the diversified business strategy, and while deeply cultivating existing fields, we will also continue to look for new opportunities and fields to maintain our competitive advantage in the market.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW AND OUTLOOK

Healthcare Product Market

In recent years, the scale of China's healthcare product market has continued to show a steady growth. According to iiMedia Research, the disposable income of Chinese residents is rising, but the consumption expenditure in the field of healthcare is still at a relatively low level. According to the data for 2022, the per capita healthcare consumption expenditure of Chinese residents is about RMB2,120, accounting for only 5.75% of per capita disposable income. Based on the analyst's point of view, with the improvement of people's income level and the continuous enhancement of health awareness of Chinese, the demand for healthcare consumption will continue to be stimulated, which is expected to increase the proportion of healthcare consumption expenditure, highlighting the huge development potential contained in the healthcare products market.

According to the research report, as of 2022, the market size of China's healthcare products industry has reached RMB298.9 billion, representing a year-on-year increase of 10.4%. With the continuous growth of the China's per capita GDP, people's consumption concepts and willingness in the field of healthcare products have undergone major changes. The consumption nature of healthcare products is gradually evolving from a dispensable commodity to an indispensable necessity. Especially under the influence of the COVID-19 pandemic, people's health awareness has been rapidly awakened, and their desire to invest in health has continued to increase, so the demand for healthcare products has also continued to increase. The "silver-haired" and younger generations will be the main drivers of growth in the industry. With continuous technological advancement, the upgrading of marketing methods and sales channels will bring more opportunities for the future development of the healthcare product industry. This trend has brought a long-term favourable situation for the entire healthcare products industry. According to the forecast of Qianzhan Industry Institute, in the next few years, China's healthcare product market will continue to expand, and it is estimated that by 2028, the market size will exceed RMB1.5 trillion.

Iron Ore Market

In the first half of the year, the price of imported iron ore experienced a trend of rising first, then falling, and then rising again. The final price at the end of the period was lower than that at the beginning of the period, and generally fell slightly. As of 30 June 2023, the forward price index of Australian iron ore fine 62% reached US112.15 per thousand tons, representing a decrease of 4.43% compared with the beginning of the year.

In the first half of the year, the comprehensive consideration of the fundamentals of iron ore supply and demand showed strong supply and strong demand. On the supply side, in terms of global iron ore shipments, the average daily shipments in the first half of the year reached 4.15 million tons, representing an increase of 110,000 tons or 2.82% year-on-year. In addition, the arrival volume of iron ore in 45 ports in China has also increased. The average daily arrival volume in the first half of the year was 3.21 million tons, representing an increase of 120,000 tons or 4.02% year-on-year. This shows that inbound supply is significantly stronger than far-end shipments. In terms of demand, in the first half of the year, the output of molten iron in steel mills significantly increased year-on-year, with an average daily output of molten iron of 2.3746 million tons, representing an increase of 4.81% over the same period last year. Under the influence of both strong supply and demand, especially the strong performance of demand, the inventory level of ports this year is generally lower than that of the same period last year, and the port inventory has maintained a destocking state for most of the time.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of price trends, the price changes of iron ore in the first half of the can be divided into three stages. Initially, the market's macro expectations were positive, coupled with the rising demand for winter storage of raw materials in steel mills, the enthusiasm for production in steel mills gradually increased, thus driving up the price of ferrous metals. The market focus is magnified by the negative factors of the bankruptcy of the US banking industry, coupled with more stringent supervision is in place, the iron ore market gradually changed to oversupply. Although the iron ore shipments of overseas mines have dropped significantly due to the impact of the hurricane, the demand side continues to weaken, and the profit margin of steel mills has declined, resulting in cautious demand for iron ore procurement. As it is expected that there will be a couple of positive policies, which has driven the black futures such as iron ore to rebound continuously, the price of iron ore has risen, and the profitability of steel mills has gradually recovered.

For the outlook for the second half of the year, iron ore may generally show a trend of stronger supply and weaker demand. According to the seasonal trend in recent years, the supply situation in the second half of the year will be better than that in the first half of the year. However, in terms of demand, as the production restriction policy in some areas implement again, as well as the traditional off-season of demand in July and August and the heating season in November and December with production restriction, the production of molten iron (i.e. iron ore demand) is expected to decrease significantly in the second half of the year. In the case of reduced marginal demand and increased supply, port inventories may gradually accumulate.

As for the price trend, the supply and demand of iron ore remained both in high levels in the third quarter, and the profit of steel mills may become an important factor in the price trend of imported ore, and price changes may fluctuate with profit fluctuations. In the fourth quarter, the market may focus on the macro policy for the next year, as well as steel mills' inventory replenishment in winter, which may lead to a rebound in ore prices.

BUSINESS & OPERATIONS REVIEW

Operation update of Project Ibam

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 altogether in the Project Ibam 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 open-pit 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 processing method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced.

During the Period, the production volume was 60.99 Kt (six months ended 30 June 2022: 14.95 Kt).

Operating Results

During the Period, the Group recorded revenue of USD15.1 million (2022 H1: USD18.4 million). The sales volume of iron ore products was 60.98 Kt on dry basis (2022 H1: 14.94 Kt).

MANAGEMENT DISCUSSION AND ANALYSIS

WINDING UP PROCEEDINGS

As disclosed in the announcements dated 19 March 2021, 30 April 2021, 5 May 2021, 31 May 2021, 6 June 2021, 11 June 2021, 20 June 2021, 21 June 2021 and 19 October 2021 in relation to the winding up petition presented against the Company, the Company received the Petition from the Petitioners that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. As disclosed in the announcement of the Company dated 23 March 2022, the Petitioner has agreed to withdraw the winding up petition which was initially scheduled to be heard on 30 March 2022, while the Petitioner reserved its rights to present new wind-up petition in the future.

References are made to announcements dated 10 March 2023 and 23 March 2023. The Company has been notified that a statutory demand (the "**Statutory Demand**") dated 5 December 2022 had allegedly been served on the Company from the solicitors acting on behalf of a creditor pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32), demanding the Company to pay the total amount of RMB250,974,633.21, being an alleged outstanding debts due and owing from the Company to the creditor in respect of the Company's obligations pursuant to an alleged guarantee agreement (the "**Alleged Debt**"). The Statutory Demand requested the Company to repay the Alleged Debt within three weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company.

Up to 30 June 2023, the Company has not received any winding-up petition from the creditor or its solicitors. As disclosed in the announcement dated 17 March 2023, the Company clarified that it has not made any such alleged commitment and has no business dealings with the creditor, and the Company is seeking legal advice to properly handle the Statutory Demand to safeguard the interests of the shareholders and the Company.

REVENUE, COST OF SALES AND GROSS PROFIT

Revenue

During the Period, the Group's revenue arising from sales of iron ore products and other commodities was approximately USD4.7 million as compared to USD1.7 million recorded in Prior Period. The commercial trade and iron ore mining and processing operation of the Group have resumed since restrictive measures have been lifted by the government of Malaysia on 1 April 2022. Further, the Company recorded sales of health and other products of approximately USD6.7 million (Prior Period: nil).

Cost of Sales

During the Period, the Group's cost of sales reached approximately USD13.0 million as compared to approximately USD15.8 million recorded in Prior Period. The cost of sales mainly comprised the purchase costs of crude oil, iron ore products, healthcare products and other commodities for trading activities.

Gross profit

A gross profit of approximately USD2.0 million was recorded for the Period, as compared to approximately USD2.6 million recorded in Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATIVE AND OTHER EXPENSES

During the Period, the Group's administrative expenses reached approximately USD1.6 million, 95.5% higher than approximately USD0.8 million recorded in the Prior Period. The increase was mainly due to increase in legal and professional expenses.

FINANCE COSTS

During the Period, the Group's finance costs reached approximately USD7.3 million, about 14.2% higher than approximately USD6.4 million recorded in the Prior Period. The increase was mainly due to increase in interest expense incurred on the notes issued by the Company. No notional interest expense incurred for shareholder loan from Cosmo Field Holdings Limited ("**Cosmo Field**") (a controlling shareholder of the Company) during the Period.

INCOME TAX EXPENSE

The Group recorded approximately USD0.2 million income tax expense during the Period (Prior Period: nil).

LOSS FOR THE PERIOD

As a result of the foregoing, the Group recorded a loss of approximately USD10.5 million during the Period as compared to a loss of approximately USD4.2 million recorded in the Prior Period. Such increase was due to increase in expenses, and the waiver of principal and interest of bonds issued by the Company in the Prior Period, which did not occur during the Period.

BORROWINGS

As at 30 June 2023, 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 USD61.3 million which included the note with the principal of approximately USD43.3 million and the note with the principal of USD18.0 million.

As at 30 June 2023, the Company also owed shareholder loans of USD60.0 million (31 December 2022: USD60.0 million) from Cosmo Field which were interest-free and unsecured.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURES

The capital deficiencies of the Group as at 30 June 2023 was approximately USD91.2 million (31 December 2022: capital deficiencies of approximately USD80.3 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 Cosmo Field. Primary uses of the funds during the Period included the payment of operating expenses, repayment of bonds. As at 30 June 2023, current assets of approximately USD112.5 million primarily comprised USD110.5 million of trade receivables, USD0.2 million of deposits, prepayments and other receivables, and USD0.7 million of cash and cash equivalents. Current liabilities of approximately USD218.4 million mainly comprised USD7.8 million of trade payables, USD29.9 million of other payables and accruals, USD54.7 million of bank and other borrowings, USD61.3 million of notes and bond payable, and USD3.7 million of income tax payable. Current ratio, being total current assets to total current liabilities was 0.5 as at 30 June 2023 (31 December 2022: 0.5).

As at 30 June 2023, the Group had bank and other borrowings of USD54.7 million in total (31 December 2022: 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.

As at 30 June 2023, the Group had a negative equity and its gearing ratio was incalculable. As at 30 June 2022, the gearing ratio was also incalculable.

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

LEGAL PROCEEDINGS

The Company and its controlling shareholders (being Cosmo Field and Mr. Li Yang) are subject to a number of legal proceedings. For details, please refer to page 11 of the 2022 annual report.

CHARGE ON ASSETS

Except for trade receivables pledged for bank and other borrowing as disclosed in note 19 to the unaudited interim condensed consolidated financial statement, the Group did not have any pledges on its assets as at 30 June 2023.

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 2023, the Group had 34 (31 December 2022: 32 employees). During the Period, total staff costs included directors' emoluments amounting to approximately USD0.7 million (Prior Period: USD0.4 million). The total staff costs has been increased 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

There are no other significant event after the Period.

OTHER INFORMATION

RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 30 JUNE 2023

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2023 (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 2023:

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.

MINING PRODUCTION ACTIVITIES

During the Period, mining volume and production volume of 60,996 tonnes were recorded (Prior Period: 14,950 tonnes).

CAPITAL EXPENDITURE

During the Period, the Company did not incur any material capital expenditure for the purchase or upgrade of property, plant and equipment and payments in advance (Prior Period: nil).

SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

On 3 February 2023, the Company, through its wholly-owned subsidiary Shenzhen Grace Generation Life-tech Company Limited ("Shenzhen Grace"), signed a tripartite strategic cooperation framework (strategic cooperation) agreement with DuDu Recreational Vehicle Group Company Limited ("DuDu RV"), and Dayi Shizhen Industry (Shenzhen) Company Limited ("Dayi Shizhen"), according to which all parties will jointly establish a sustainable strategic partnership to launch big health product projects. Concrete details in the cooperation process would be further clarified by the parties in the subsequent execution of relevant contracts.

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.

OTHER INFORMATION

RELATED PARTY TRANSACTIONS

For the details of related party transactions of the Group during the Period, please refer to note 22 of notes to unaudited interim condensed financial statements of this interim report.

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 Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**CG Code**") during the Period except the code provision C.2.1 of the CG Code as disclosed below:

Mr. Ng Khing Yeu, co-chairman of the Board, is mainly responsible for leading the biotechnology business of the Group, including the production and sales of plant stem cell extracts and the food and beauty products added with plant stem cell. Mr. Ng Khing Yeu will continue to work closely with Mr. Li Yang to oversee the Group's overall business strategy, manage the Group's business operations and assume a leadership role in affairs of the Group.

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. Mr. Li Yang has strong client relationships and has the full backing from the Board of Directors and senior management of the Company in fulfilling his obligations as co-chairman and Chief Executive Officer. The Board believes that having the same person performing the roles of both co-chairman and Chief Executive Officer can provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group. Further, the decisions of the Board are made collectively by way of voting and therefore the co-chairman of the Board should not be able to monopolize the voting result.

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.

BOARD COMMITTEES

Audit Committee

The primary duties of the audit committee of the Board (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.

OTHER INFORMATION

Remuneration Committee

The Company established a remuneration committee of the Board (the "**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 of the Board (the "**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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the Directors and the chief executive 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	752,750,000 (L)	50.18%
Ng Khing Yeu (note 4)	Interest in controlled corporation	112,827,000 (L)	7.52%

Notes:

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:

   (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. Mr. Ng Khing Yeu is the sole shareholder and sole director of Grace Generation Group Company Limited ("**Grace Generation**") which owns 112,827,000 shares of Company. Therefore, Mr. Ng is deemed, or taken to be, interested in all the interest held by Grace Generation for the purpose of the SFO.

OTHER INFORMATION

(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%
Ng Khing Yeu (note 4)	Grace Generation	Beneficial owner	100.00%

Save as disclosed above, as at 30 June 2023, 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 30 June 2023, 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, 8)	Beneficial owner	752,750,000 (L)	50.18%
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 Finance Company Limited (note 6)	Security interest in shares	164,944,000 (L)	10.99%
Haitong International Holdings Limited (note 6)	Interest in controlled corporation	164,944,000 (L)	10.99%
Haitong International Securities Group Limited (note 6)	Interest in controlled corporation	164,944,000 (L)	10.99%
Haitong Securities Co., Ltd. (note 6)	Interest in controlled corporation	164,944,000 (L)	10.99%
Hua Heng (note 4)	Beneficial owner	100,575,000 (L)	6.71%
Yang Jun (note 4)	Interest in controlled corporation	100,575,000 (L)	6.71%
Tang Lingyan (note 4)	Interest of a Substantial Shareholder's child under 18 or spouse	100,575,000 (L)	6.71%
Grace Generation (note 7)	Beneficial owner	112,827,000 (L)	7.52%
Sichuan Liquor Group International Trade Co., Ltd. ("**Sichuan Liquor**") (note 8)	Beneficial owner	91,000,000	6.07%

Notes:

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:

    (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.

    (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 Limited and Haitong Securities Co., Ltd. is deemed, or taken to be, interested in all the interest held by Haitong International Finance Company Limited in the shares of the Company for the purpose of the SFO.

7. Mr. Ng Khing Yeu is the sole shareholder and sole director of Grace Generation Group Company Limited ("**Grace Generation**") which owns 112,827,000 shares of Company. Therefore, Mr. Ng is deemed, or taken to be, interested in all the interest held by Grace Generation for the purpose of the SFO.

8. Based on the disclosure of interest notices given by Mr. Li and Cosmo, Cosmo entered into a pledge document dated 12 September 2019 (the "**Pledge Document**") with Sichuan Liquor, under which Cosmo pledged 91,000,000 Shares (the "**Pledged Shares**") to Sichuan Liquor as a pledge guarantee in favour of Sichuan Liquor in respect to outstanding sum (the "**Outstanding Sum**") owed to Sichuan Liquor by certain third parties. For clarification, the interest of Sichuan Liquor as stated above is based on the notices given by Mr. Li and Cosmo.

    On 20 January 2020, 91,000,000 Pledged Shares were transferred from Cosmo to third party nominated by Sichuan Liquor pursuant to the Pledge Document. According to Cosmo, the above-mentioned Outstanding Sum and Pledge Document are not connected with the Company in any way. For clarification, the interest of Sichuan Liquor as stated above is based on the notices given by Mr. Li and Cosmo.

    To the Directors' knowledge and belief, Sichuan Liquor holds shares through its nominated third party(ies).

Save as disclosed above, as at 30 June 2023, 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.

OTHER INFORMATION

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 has expired 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 2023). 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 2023, 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 2023.

INTERIM DIVIDEND

The Board of Directors resolved not to distribute any interim dividend for the Period (2022 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 2023. 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
Grace Life-tech Holdings Limited
(Joint Provisional Liquidators appointed)
(For restructuring purposes only)
Ng Khing Yeu
Co-chairman

Hong Kong, 31 August 2023

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	**2023 US$'000 (Unaudited)**	2022 US$'000 (Unaudited)
Revenue	5	**15,051**	18,433
Cost of sales		**(13,018)**	(15,846)
Gross profit		**2,033**	2,587
Other income	7	**–**	4,200
Selling and distribution expenses		**(515)**	–
Administrative and other expenses		**(1,570)**	(803)
Impairment loss on financial assets, net of reversal		**(2,901)**	(3,804)
Finance costs	8	**(7,260)**	(6,359)
Loss before income tax		**(10,213)**	(4,179)
Income tax expense	9	**(248)**	–
Loss for the period	10	**(10,461)**	(4,179)
Other comprehensive (expense) income for the period			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**(440)**	182
Total comprehensive expense for the period		**(10,901)**	(3,997)
Loss per share	12		
Basic and diluted (US cents)		**(0.70)**	(0.28)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	Notes	**30 June 2023 USD'000 (Unaudited)**	31 December 2022 USD'000 (Audited)
Non-current assets			
Property, plant and equipment		**401**	426
Intangible assets		**11,350**	11,996
Financial assets at fair value through other comprehensive income	13	**–**	–
Goodwill		**5,938**	6,266
Total non-current assets		**17,689**	18,688
Current assets			
Inventories		**1,074**	470
Trade receivables	14	**110,522**	113,854
Deposits, prepayments and other receivables	15	**229**	363
Cash and cash equivalents		**704**	183
Total current assets		**112,529**	114,870
Current liabilities			
Trade payables	16	**7,759**	8,334
Other payables and accruals	17	**29,896**	27,024
Contract liabilities	18	**1,034**	253
Amount due to ultimate holding company		**60,000**	60,000
Bank and other borrowings	19	**54,683**	54,683
Notes and bonds	20	**61,325**	56,885
Income tax payable		**3,698**	3,422
Total current liabilities		**218,395**	210,601
Net current liabilities		**(105,866)**	(95,731)
Total assets less current liabilities		**(88,177)**	(77,043)
Non-current liabilities			
Provision for rehabilitation		**552**	576
Deferred tax liabilities		**2,492**	2,701
Total non-current liabilities		**3,044**	3,277
Net liabilities		**(91,221)**	(80,320)
Capital and reserves			
Share capital	21	**1,934**	1,934
Reserves		**(93,155)**	(82,254)
Capital deficiencies		**(91,221)**	(80,320)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital US$'000 (note 21)	Share premium US$'000 (note (i))	Capital reserve US$'000 (note (ii))	Contributed surplus US$'000 (note (iii))	Fair value reserve US$'000 (note (iv))	Other reserve US$'000 (note (v))	Exchange fluctuation reserve US$'000	Statutory reserve US$'000 (note (vi))	Accumulated losses US$'000	Total US$'000
At 1 January 2022 (audited)	1,934	47,541	14,956	50	(5,000)	28,002	(4,832)	–	(106,925)	(24,274)
Loss for the period	–	–	–	–	–	–	–	–	(4,179)	(4,179)
Other comprehensive income for the period: Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	182	–	–	182
Total comprehensive income (expense) for the period	–	–	–	–	–	–	182	–	(4,179)	(3,997)
At 30 June 2022 (unaudited)	1,934	47,541	14,956	50	(5,000)	28,002	(4,650)	–	(111,104)	(28,271)
At 1 January 2023 (audited)	**1,934**	**47,541**	**14,956**	**50**	**–**	**28,002**	**(5,138)**	**27**	**(167,692)**	**(80,320)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,461)**	**(10,461)**
Other comprehensive expense for the period: Exchange differences arising on translation of financial statements from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**(440)**	**–**	**–**	**(440)**
Total comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(440)**	**–**	**–**	**(440)**
Transfer to statutory reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**74**	**(74)**	**–**
At 30 June 2023 (unaudited)	**1,934**	**47,541**	**14,956**	**50**	**–**	**28,002**	**(5,578)**	**101**	**(178,227)**	**(91,221)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Notes:

The amounts of the Group's reserves and the movements therein for the current and prior period are presented in the interim condensed consolidated statement of changes in equity in the interim condensed 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 reorganisation 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 2022.

(v) Other reserve

On 14 December 2018, the Group disposed of 9.12% of its interest in Pacific Mining Resources Sdn. Bhd. ("**Pacific Mining**") for the Group's subscription of 33.33% issued shares of Pembinaan Sponge Iron Sdn. Bhd. ("**Pembinaan Sponge Iron**"). The difference approximately of US$48,287,000 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.

On 13 July 2020, the Group disposed of 33.33% of its interest in Pembinaan Sponge Iron in returned 9.12% interest in Pacific Mining. The difference between the consideration of approximately of US$21,975,000 and the relevant share of the carrying amount of the net assets of Pacific Mining approximately of US$1,690,000, being approximately US$20,285,000 was debited to other reserve.

(vi) Statutory reserve

In accordance with the articles of association of the subsidiaries established in the People's Republic of China (the "**PRC**") and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective board of directors, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	2023 **US$'000** **(Unaudited)**	2022 US$'000 (Unaudited)
OPERATING ACTIVITY		
Cash generated from (used in) operations	**516**	(857)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITY	**516**	(857)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**516**	(857)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**183**	1,191
Effect of foreign exchange rate changes	**5**	(60)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**704**	274

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. GENERAL INFORMATION

Grace Life-tech Holdings 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. The address of the principal place of business of the Company is Unit 1101, Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, 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 ultimate beneficial owner of the Company is Mr. Li, the Executive Director of the Company.

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

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") and with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "**IASB**").

During the period ended 30 June 2023, the Group incurred a net loss of approximately US$10,461,000. As at the same date, the Group's amount due to ultimate holding company, bank and other borrowings, guarantee notes and bonds amounted to approximately US$176,008,000, while its cash and cash equivalents amount to approximately US$704,000 only.

As at 30 June 2023, borrowings whose principal amounts of approximately US$176,008,000 and interest payable amounts of approximately US$27,684,000 were overdue. In addition, the Group breached terms and conditions of Overdue Borrowings during the period ended 30 June 2023. The aforementioned borrowings would be immediately repayable if requested by the lenders.

2. BASIS OF PREPARATION (Continued)

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 8 January 2021, the High Court of Hong Kong adjudged that Mr. Li shall be obliged to pay OCBC outstanding amount, the accrued interests until the date of payment and other costs related to OCBC.

On 15 May 2020, Mr. Li Yang ("**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 Loan to Industrial Bank. The Default on Industrial Bank Loan will trigger cross-defaults of other borrowings and loans of the Group.

On 4 June 2021, the Company filed a petition with the Grand Court of the Cayman Islands for an order that the Company be wound up and a summons for the appointment of joint provisional liquidators on a light touch basis for restructuring purposes only on the grounds that the Company was unable to pay its debts and it intended to present a compromise or arrangement to its creditors.

The Company has been notified that a statutory demand (the "**Statutory Demand**") dated 5 December 2022 had allegedly been served on the Company from the solicitors acting on behalf of a creditor pursuant to Sections 178(1)(a) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32), demanding the Company to pay the total amount of RMB250,974,633.21, being an alleged outstanding debts due and owing from the Company to the creditor in respect of the Company's obligations pursuant to an alleged guarantee agreement (the "**Alleged Debt**"). The Statutory Demand requested the Company to repay the Alleged Debt within three weeks from the date of service of the Statutory Demand, failing which the creditor may present a winding-up petition against the Company. Up to 30 June 2023, the Company has not received any winding-up petition from the creditor or its solicitors.

2. BASIS OF PREPARATION (Continued)

The Company has not made any such alleged commitment and has no business dealings with the creditor. The Company have seeking legal advice to properly handle the Statutory Demand to safeguard the interests of the shareholders and the Company.

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

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delays in principal and interest repayments will not enforce their rights of requesting for immediate repayment.

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.

In view of these circumstances, the directors of the Company (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 2023 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) The Group has implemented measures to speed up the collection of outstanding trade debts proceeds; and

(v) 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 interim condensed consolidated 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 interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except as described in note 4 below.

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

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period financial beginning 1 January 2023 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
IFRS 17 (including the June 2020 and December 2021 amendment to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules

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

5. REVENUE

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

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of iron ore products	**4,737**	1,773
– Sales of health products	**6,682**	–
– Sales of other products	**3,632**	16,660
	15,051	18,433

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 2023	**Iron ore mining and processing operation US$'000 (Unaudited)**	**Health products trade US$'000 (Unaudited)**	**Others US$'000 (Unaudited)**	**Total US$'000 (Unaudited)**
Revenue from goods:				
– Sales of iron ore products	**4,737**	**–**	**–**	**4,737**
– Sales of health products	**–**	**6,682**	**–**	**6,682**
– Sales of other products	**–**	**–**	**3,632**	**3,632**
	4,737	**6,682**	**3,632**	**15,051**
Timing of revenue recognition:				
– At a point in time	**4,737**	**6,682**	**3,632**	**15,051**
Geographical markets:				
– People's Republic of China ("**PRC**")	**–**	**6,682**	**–**	**6,682**
– Hong Kong	**–**	**–**	**3,632**	**3,632**
– Malaysia	**4,737**	**–**	**–**	**4,737**
	4,737	**6,682**	**3,632**	**15,051**

5. REVENUE (Continued)

For the six months ended 30 June 2022	Commercial trade US$'000 (Unaudited)	Others US$'000 (Unaudited)	Total US$'000 (Unaudited)
Revenue from goods:			
– Sales of iron ore products	1,773	–	1,773
– Sales of other products	–	16,660	16,660
	1,773	16,660	18,433
Timing of revenue recognition:			
– At a point in time	1,773	16,660	18,433
Geographical markets:			
– PRC	–	15,362	15,362
– Hong Kong	–	1,298	1,298
– Malaysia	1,773	–	1,773
	1,773	16,660	18,433

6. 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;
- Financing operation – investment in equity securities and other financial services;
- Health products trade – trading of health products; and
- Others – trading of other products.

Subsequent to the six months ended 30 June 2022, the Group established new lines of trading business in health and biological products (collectively referred to as "**health products**").

6. SEGMENT INFORMATION (Continued)

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 2023

	Iron ore mining and processing operation US$'000 (Unaudited)	Commercial trade US$'000 (Unaudited)	Health products trade US$'000 (Unaudited)	Others US$'000 (Unaudited)	Total US$'000 (Unaudited)
Segment revenue	4,737	–	6,682	3,632	15,051
Segment profit (loss)	62	(4,580)	1,018	153	(3,347)
Unallocated income					–
Unallocated corporate expenses					(1,334)
Unallocated finance costs					(5,527)
Impairment loss on other receivables, net of reversal					(5)
Loss before income tax					(10,213)

For the six months ended 30 June 2022

	Iron ore mining and processing operation US$'000 (Unaudited)	Commercial trade US$'000 (Unaudited)	Financing operation US$'000 (Unaudited)	Others US$'000 (Unaudited)	Total US$'000 (Unaudited)
Segment revenue	–	1,773	–	16,660	18,433
Segment (loss) profit	(95)	(4,460)	296	2,171	(2,088)
Unallocated income					3,493
Unallocated corporate expenses					(761)
Unallocated finance costs					(4,628)
Impairment loss on other receivables, net of reversal					(195)
Loss before income tax					(4,179)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

Segment assets and liabilities

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

Segment assets

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Iron ore mining and processing operation	**12,447**	13,106
Commercial trade	**99,832**	102,681
Health products trade	**8,472**	6,394
Others	**2,589**	4,562
Total segment assets	**123,340**	126,743
Corporate and other assets	**6,878**	6,815
Total assets	**130,218**	133,558

Segment liabilities

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Iron ore mining and processing operation	**552**	576
Commercial trade	**142,192**	137,599
Health products trade	**7,524**	6,239
Others	**915**	2,146
Total segment liabilities	**151,183**	146,560
Corporate and other liabilities	**70,256**	67,318
Total liabilities	**221,439**	213,878

6. 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, 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, other borrowings, notes and bonds, deferred tax liabilities and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

7. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Income from waived of principle and interest expense on corporate bonds (note i)	**–**	3,458
Interest income from loan receivables	**–**	639
Government grants (note ii)	**–**	10
Others	**–**	93
	–	4,200

Notes:

(i) On 6 April 2022, the Company and the corporate bonds holder entered into a debt waiver agreement pursuant to which the corporate bonds holder agreed to unconditionally and irrevocably waive the outstanding principle and accrued interest which amount to approximately HK$26,975,000 (equivalent to US$3,458,000).

(ii) During the six months ended 30 June 2022, the Group recognised government grants of HK$80,000 (equivalent to approximately US$10,000) in respect of COVID-19-related subsidies, of which amounted to approximately US$10,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

8. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interests on:		
– bank borrowings	**1,733**	1,731
– other borrowings	**454**	454
– notes	**5,073**	4,174
	7,260	6,359

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	**246**	–
Deferred tax	**2**	–
	248	–

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been provided as the Company's subsidiaries located in Hong Kong had no assessable profits derived or earned in Hong Kong for the six months ended 30 June 2023 and six months ended 30 June 2022.

(ii) Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

(iii) No provision for Singapore has been provided as the Company's subsidiary located in Singapore had no assessable profits derived or earned in Singapore for the six months ended 30 June 2023 and six months ended 2022.

(iv) Pursuant to the income tax rules and regulations in Malaysia, the subsidiaries located in Malaysia are liable to Malaysia corporate income tax at a rate of 24% (2022: 24%) on the assessable profits generated for the six months ended 30 June 2023 and six months ended 30 June 2022.

10. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Staff costs (including Directors' and chief executive's remuneration)	**696**	358
Amortisation of intangible assets	**7**	11
Depreciation of property, plant and equipment	**16**	19
Impairment loss on trade receivables, net of reversal	**2,896**	3,662
Impairment loss on other receivables, net of reversal	**5**	142
Lease rentals for office premises (note i)	**97**	–
Amount of inventories recognised as an expense	**13,018**	14,488
Exchange loss, net	**352**	82

Note:

(i) The amounts represent lease rentals relating to short-term leases under IFRS 16.

11. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE

	For the six months ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	**(10,461)**	(4,179)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share ('000 shares)	**1,500,000**	1,500,000

The dilutive loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This represents investment in unlisted equity securities issued by private entities incorporated in PRC.

Since the directors of the Company lost contact with the management of the above unlisted equity investment and the directors of the Company was unable to obtain any financial information of this above unlisted equity investment for the six months ended 30 June 2023 and for the year ended 31 December 2022, the directors of the Company measured the fair value of the Group's interests in the above unlisted equity investment by adjusted net assets method based on the latest available financial information.

On 5 August 2022, the above unlisted equity investment was no longer held by the subsidiary and the cumulative loss was US$5,000,000 transferred from fair value reserve to accumulated losses upon the written-off.

In the opinion of the directors of the Company, 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.

14. 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.

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Within 30 days	**910**	1,043
31 – 60 days	**1,125**	1,430
61 – 120 days	**1,520**	8,526
121 – 365 days	**6,968**	174
Over 365 days	**99,999**	102,681
	110,522	113,854

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Deposits	**4**	4
Prepayments	**154**	302
Other receivables	**96**	77
	254	383
Less: loss allowance	**(25)**	(20)
	229	363

16. 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 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Within 90 days	**1,888**	6,188
91 to 180 days	**5,871**	2,146
	7,759	8,334

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.

17. OTHER PAYABLES AND ACCRUALS

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Other payables	**1,137**	1,199
Interest payables	**27,684**	24,864
Accruals	**1,075**	961
	29,896	27,024

18. CONTRACT LIABILITIES

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Current liabilities	**1,034**	253

Contract liabilities are recognised when the Company receives an amount from customers before goods are delivered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount received. The Company typically receives a deposit range from 20% to 50% of total consideration from certain customers when they enter into the contracts with the Company.

19. BANK AND OTHER BORROWINGS

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'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 2023:

(a) As at 30 June 2023, bank loans of approximately US$36,533,000 (31 December 2022: US$36,533,000) is variable-rate loans. The variable-rate loans carry effective interest rate ranging from 9.37% to 9.59% per annum (31 December 2022: 9.37% to 9.59% per annum).

(b) As at 30 June 2023, certain of the Group's bank loans amounting to US$36,533,000 (31 December 2022: US$36,533,000) were secured by certain of the Group's trade receivables of an aggregate carrying value of approximately US$36,533,000 (31 December 2022: US$36,533,000) and were guaranteed by the Company and a director of the Company.

(c) On 10 December 2018, the Group's and the lender renegotiated the terms of the bank loans with aggregate carrying amount at the end of the reporting period of US$40,946,000 and agreed a repayment schedule pursuant to which the above bank loans plus interest are to be settled by six installments with the first installment repayable in November 2019.

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 (the "**High Court**") for the failing to fulfil his obligation as guarantor to settle the amount of HK$308,758,494 (the "**OCBC outstanding amount**"). 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. On 8 January 2021, the High Court of Hong Kong adjudged that Mr. Li shall be obliged to pay OCBC outstanding amount, the accrued interests until the date of payment and other costs related to OCBC.

19. BANK AND OTHER BORROWINGS (Continued)

(d) As at 31 December 2020, other loan represented a loan advanced to the Company with aggregate principal amount of approximately 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 HK$141,800,000 (equivalent to US$18,150,000) and total interest accrued and other payable under the loan agreement but unpaid amount approximately to HK$62,392,000 (equivalent to US$7,986,000) were assigned to an independent assignee. After 15 June 2020, the amount of other borrowing of approximately US$18,500,000 is unsecured, carried fixed interest rate of 5% per month and repayable on demand.

On 1 September 2021, the Company and the independent lender entered into supplemental agreement pursuant to which the independent lender agreed to adjust the interest rate from 3% per month to 5% per annum starting from 26 September 2019 and the default interest rate adjusted from 5% per month to 0% per annum starting from 26 September 2019.

(e) As at 30 June 2023, bank loans of approximately US$36,533,000 (31 December 2022: US$36,533,000) were denominated in US$. As at 30 June 2023, other loan of approximately US$18,150,000 (31 December 2022: US$18,150,000) was denominated in HK$.

(f) As at 30 June 2023, the accrued interests for the bank loans and other loan are recorded in interest payable (note 17) was approximately US$14,020,000 and US$8,277,000 respectively (31 December 2022: US$12,287,000 and US$7,823,000 respectively).

20. NOTES AND BONDS

	30 June 2023 US$'000 (Unaudited)	31 December 2022 US$'000 (Audited)
Notes		
– Note 1 (note a)	**43,325**	38,885
– Note 2 (note b)	**18,000**	18,000
	61,325	56,885
Corporate bond (note c)	**–**	–
	61,325	56,885

20. NOTES AND BONDS (Continued)

Set out below is the information relating to the Group's notes and bonds as at 30 June 2023:

(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.

20. NOTES AND BONDS (Continued)

(a) (Continued)

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.

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)(1) 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.

20. NOTES AND BONDS (Continued)

(a) (Continued)

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.

(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.

20. NOTES AND BONDS (Continued)

(b) (Continued)

(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.

As at 30 June 2023, the accrued interests for Note 2 are recorded in interest payable (note 17) was approximately US$5,387,000 (31 December 2022: US$4,754,000).

(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 approximately HK$21,019,178 (equivalent to approximately US$2,690,000) ("**I-Access debt**") 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 agreed that the Company shall be payable of the I-Access debt with six installments to 22 June 2022. The Group settled first two installments of aggregate amount of HK$300,000 (equivalent to approximately US$38,400) to I-Access subsequently in May and June 2020 which in accordance with the extended payment schedule, but failed to pay the third installment of HK$5,000,000 (equivalent to approximately US$640,000) by the installment due date of 31 July 2020.

20. NOTES AND BONDS (Continued)

(c) (Continued)

On 1 September 2020, the Company entered the supplement agreement with I-Access of further extended payment schedule of outstanding principal HK$19,700,000 (equivalent to approximately US$2,522,000) with accrued interest and the agreed costs of HK$38,000 (equivalent to approximately US$4,900) and provided the Company shall payable of the I-Access debt for four installments to 29 October 2021. The Company failed to repay the first installment of HK$5,000,000 (equivalent to US$640,000) on 29 January 2021 in the further extended payment schedule. On 2 February 2021, I-Access has filed a petition ("**Winding Up Petition**") in the matter of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Law of Hong Kong) from the High Court of The Hong Kong Special Administrative Region that the Company may be wound up by the High Court on the ground that the Company is unable to pay its debts. The winding up petition was heard before the High Court on 19 October 2021, in which no winding-up order was made, and it was ordered that the next winding up petition hearing shall be held on 30 March 2022.

On 29 December 2021, the Company have been noticed that I-Access have signed a debt assignment with an independent third party ("**Transferee Holder**") to transfer its obligations included the receivables of outstanding principal HK$19,700,000 (equivalent to approximately US$2,522,000) with accrued interest to the Transferee Holder. On 31 March 2022, I-Access has agreed to Withdraw Winding Up Petition which was initially scheduled to be heard on 30 March 2022 and the Company entered into a debt waiver agreement pursuant to which the Transferee Holder agreed to unconditionally and irrevocably waive the outstanding principal HK$19,700,000 (equivalent to approximately US$2,522,000) with accrued interest and agreed costs of HK$7,237,000 (equivalent to approximately US$927,000) and HK$38,000 (equivalent to approximately US$5,000) respectively.

As at 30 June 2023, the accrued interests for the corporate bond are recorded in interest payable was nil (31 December 2022: nil).

21. SHARE CAPITAL

	Number of shares '000	Share capital US$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	3,000,000	3,867
Issued and fully paid:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	1,500,000	1,934

22. RELATED PARTY TRANSACTIONS

(a) Banking facilities

For the periods ended 30 June 2023 and 30 June 2022, a director of the Company, Mr. Li, provided guarantee for the grant of banking facilities to the Group.

For the periods ended 30 June 2023 and 30 June 2022, a director of the Company, 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 periods ended 30 June 2023 and 30 June 2022, a director of the Company, 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	
	2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Short-term benefits	**135**	170
Post-employment benefits	**20**	24
	155	194