



# 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)**

# 2024

## INTERIM REPORT





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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Ng Khing Yeu (*Chairman*)  
Ms. Li Xiaolan  
Mr. Wang Er

### Independent Non-Executive Directors

Mr. Dong Jie  
Dr. Wang Ling  
Mr. Leung Yiu Cho

## AUDIT COMMITTEE

Mr. Leung Yiu Cho (*Chairman*)  
Dr. Wang Ling  
Mr. Dong Jie

## REMUNERATION COMMITTEE

Dr. Wang Ling (*Chairman*)  
Mr. Dong Jie  
Ms. Li Xiaolan

## NOMINATION COMMITTEE

Ms. Li Xiaolan (*Chairman*)  
Dr. Wang Ling  
Mr. Dong Jie

## REGISTERED OFFICE

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

## AUTHORISED REPRESENTATIVES

Ms. Li Xiaolan  
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](http://www.caa-resources.com)

## STOCK CODE

02112



## HIGHLIGHTS

### HIGHLIGHTS

- The Group's revenue was approximately USD6.0 million for the six months ended 30 June 2024 (the "**Period**") as compared to approximately USD15.1 million recorded for the six months ended 30 June 2023 (the "**Prior Period**" or "**2023 H1**").
- The gross profit recorded for the Period was approximately USD1.0 million as compared to approximately USD2.0 million for the Prior Period.
- The Group recorded a loss of approximately USD9.0 million for the Period as compared to a loss of approximately USD10.5 million for the Prior Period. Such decrease in loss was due to decrease in impairment loss on financial assets 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 2024.

## OVERVIEW OF BUSINESS DEVELOPMENT

The Company acts as an investment holding company, and its principal business activities are: 1) plant stem cell extracts, food and beauty products added with plant stem cell and traditional Chinese medicine (TCM) trading bases; 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 2024 (“**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.

### Further Expansion of the Plant Stem Cell Business

During the Period, the Company continued to record stable performance in its plant stem cell business, which not only took increasing share in the Company's total revenue, but also experienced significant progress in terms of breadth and depth. The business has become one of the Company's most important sources of revenue, and it is expected to continue such growth momentum in the second half of the year. Driven by the growing market demand for plant stem cell products, the Company has decided to further expand this business by entering into the field of construction and operation of TCM production bases. By integrating modern biotechnology with TCM concepts, the Company plans to launch innovative plant stem cell-based TCM products to meet the market demand for high quality health products. The Company will continue to strengthen its leadership in this field and consolidate its market share through constant innovation and product optimisation to achieve sustainable business growth.

### Adjustment and Outlook of the Iron Ore Business

Due to the continuous decline in international iron ore prices in the first half of the year, with the average price falling to approximately USD100 per dry tonne, which was far below the Company's mining and processing costs, the Company suspended all iron ore related production and sales activities during the Period. The decision was based on prudent operation judgement to ensure that the Company was able to conduct effective cost control and reduce unnecessary losses in light of adverse market conditions. Nevertheless, the Company will continue to closely monitor price development in the global iron ore market and restart its iron ore business when the price returns to a reasonable level. The Company is confident that with flexible business strategies and effective cost control, it will be able to resume production promptly when the market recovers and thus realise a positive business cycle.

### Continuous Promotion of the Diversification Strategy

Looking ahead, the Company will continue to adhere to its diversification development strategy, make full use of its strengths in the plant stem cell business and explore additional market opportunities. While consolidating its existing business, the Company will also actively seek for new point of growth, particularly in expansion of the TCM production sector, where it will devote additional resources and efforts. In addition, the Company will maintain focused on the iron ore market and make flexible adjustment to its business strategies to cope with the uncertainties in the global economy and thus to ensure its competitive strength in the volatile market environment. Through continuous strategic innovation and operational optimisation, the Company has been striving to deliver long term value for its shareholders and customers and achieve its ambitious goal of sustainable development.





# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW AND OUTLOOK

### Healthcare Product Market

The domestic healthcare product market has been growing rapidly in recent years, while the penetration rate is still far from that of the U.S. market. Especially in the age group ranging from 35 to 44, the penetration rate of China's healthcare product market is 11%, and the penetration rate of the U.S. consumer product market reaches 51%. The healthcare product market has great potential in future. Notable ingredients in the healthcare product market include, among others, vitamin E, probiotics and collagen, which account for great market share and present a rapid growth trend. In terms of efficacy, functional products that can comprehensively improve resistance/immunity are the most popular ones. In particular, individuals prefer those products which can improve their intestines and sleep, and the elderly are concerned about bones and joints as well as hypertension, hyperlipidemia and hyperglycaemia.

With the approach of an aging society in China, the improvement of residents' awareness of healthcare management and the government support for the healthcare industry, China is witnessing rapid development in the healthcare product industry in recent years. According to the data released by Zhiyan Industry Research Institute\* (智研產業研究院), China recorded a healthcare product yield of 730,300 tonnes, a demand volume of 720,700 tonnes, and market size of RMB415.12 billion in 2023. In the future, with the increasing diversification of consumer demand, the types of healthcare products in China will be constantly enriched to meet the needs of consumers of different age groups.

The upstream healthcare product industry involves Chinese herbal medicines, biological preparations, plant extracts, protein powder and other raw materials, production equipment, packaging materials and other industries and the price of upstream products have a great impact on the healthcare product industry. Raw material cost has been the most important, and also represents the largest proportion, in the cost expended during the production process, which has a relatively great impact on the profitability of the industry.

### TCM Market

TCMs refer to medicines that are collected, prepared and formulated under the guidance of TCM theory with mechanism of effect explained to guide clinical application. They are mainly derived from natural medicines and the processed products thereof, including botanical medicines, animal medicines, mineral medicines, as well as some chemical and biologic medicines.

Policy support is clearly established to promote development of TCM in China. In recent years, the TCM industry has been highly valued by governments at all levels and supported by key national industrial policies in China. The State has successively issued a number of policies to encourage development and innovation of the TCM industry. In particular, the 14th Five-Year Plan for Development of Traditional Chinese Medicine has set clear goals for development of the industry.

In 2023, TCM accounted for approximately 23.7% of the overall market size of the pharmaceutical industry. During the period from 2015 to 2023, the market sizes of TCM in both hospitals and pharmacies also maintain year-on-year growth in China, with a compound annual growth rate (CAGR) of 2.13%, which is slightly lower than the overall growth rate of the pharmaceutical industry. In 2023, the size of the national TCM market exceeded RMB400.0 billion, among which hospital and pharmacy terminals accounted for RMB274.5 billion and RMB131.0 billion respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS

In respect of TCM herbal planting, it is expected that the planting area thereof will stabilise at around 45,000,000 mu by 2025. The turnover of TCM herbal in China was RMB208.47 billion in 2022, with a CAGR of 8.8% for the period from 2018 to 2022. According to the prediction by Askci Industry Research Institute\* (中商產業研究院), the turnover of TCM herbal market will reach RMB223.29 billion in 2023, with a year-on-year growth of 7.1%.

### Iron Ore Market

In terms of price trends, the rise or fall performance of iron ore price could be divided into three stages: (i) firstly, price continued to fall primarily due to the supply being more excessive than expected, the recovery in demand being slower than expected, as well as the impact of negative feedback; (ii) then, price began to rebound by benefiting from the combined effect of improving macro conditions, destocking of materials and the upward trends of molten iron price; and (iii) for the third stage, the iron ore price fell notably since the trading logic had gradually switched to the weak fundamentals due to the decrease in positive news at the macro level. In the first half of the year, the price of imported iron ore experienced a falling trend first, which then rose, and then fell again. The final price at the end of the period was slightly lower than that at the beginning of the period. As at the end of June this year, the forward price index of Australian iron ore fine 62% reached USD106.6 per dry tonne, representing a decrease of 25.45% compared with the beginning of the year. The spot price index of port iron ore fine 62% was USD107.79 per tonne, representing a decrease of 23.06% compared with the beginning of the year.

In the first half of the year, the general performance of iron ore in both supply and demand sides showed strong supply and weak demand. In terms of supply side, the global iron ore shipments totaled to 786 million tonnes for the first half of 2024, representing a year-on-year increase of 34.78 million tonnes or 4.6%. In addition, a relative increase was recorded in the arrival volume of iron ore in 45 ports in China. From January to June of 2024, the arrival volume of iron ore in 45 ports in China was 627 million tonnes, representing a year-on-year increase of 44.057 million tonnes or 7.6%. In terms of demand, in the first half of the year, the total output of molten iron was 415 million tonnes, representing a decrease of 14.46 million tonnes or 3.37% over the same period last year. So far this year, the global iron ore supply and the arrival volume of iron ore in ports of China maintained a relatively great increase year on year, while the output of molten iron was weak as compared to the corresponding period of the previous year, the iron ore inventory maintained at ports thus showed an increasing year-on-year growth rate for the period from January to March, and a sustained high level of inventory for the period from April to June as opposed to the trends of the previous two years.

It is expected that the pattern of strong supply and weak demand for iron ore will continue in the second half of the year, maintaining a high level of inventory and a downward price, with the price trend going down first and then up. Weather impact on shipping has weakened in the second half of the year, and the shipment is expected to increase. In respect of demand side, demand may shrink in the second half of the year as suppressed by the "Special Action Plan Regarding Energy Saving and Carbon Reduction for Iron and Steel Industry" (《鋼鐵行業節能降碳專項行動計劃》). Constant attention needs to be paid to the interference by the crude steel regulation policy on market demand. Meanwhile, it is also important to keep an eye on the impact of cost support, geopolitical conflicts and illegal exports on iron ore prices.



# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 0 Kt (six months ended 30 June 2023: 60.99 Kt). Due to the continuous decline in international iron ore prices in the first half of the year, with the average price falling to approximately USD100 per dry tonne, which was far below the Company's mining and processing costs, the Company suspended all iron ore related production and sales activities during the Period.

### Operating Results

During the Period, the Group recorded revenue of USD5.97 million (2023 H1: USD15.1 million). The sales volume of iron ore products was 0 Kt on dry basis (2023 H1: 60.98 Kt).

## REVENUE, COST OF SALES AND GROSS PROFIT

### Revenue

During the Period, no revenue was generated from sales of iron ore products and other commodities as compared to USD4.7 million recorded in Prior Period. Further, the Group recorded sales of health and other products of approximately USD6.0 million (Prior Period: USD6.7 million).

### Cost of Sales

During the Period, the Group's cost of sales reached approximately USD5.0 million as compared to approximately USD13.0 million recorded in Prior Period. The cost of sales is mainly comprised of the purchase costs of crude oil, iron ore products, healthcare products and other commodities for trading activities.

### Gross profit

A gross profit of approximately USD1.0 million was recorded for the Period, as compared to approximately USD2.0 million recorded in Prior Period.

## ADMINISTRATIVE AND OTHER EXPENSES

During the Period, the Group's administrative expenses reached approximately USD1.2 million, about 21.1% lower than that recorded in the Prior Period at approximately USD1.6 million. The decrease was mainly due to decrease in labor costs.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCE COSTS

During the Period, the Group's finance costs reached approximately USD8.4 million, about 15.6% higher than that recorded in the Prior Period at approximately USD7.3 million. The increase was mainly due to increase in interest expense incurred on the notes issued by the Company. No notional interest expense was 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 USD0.02 million income tax expense during the Period (Prior Period: USD0.2 million).

## LOSS FOR THE PERIOD

As a result of the foregoing, the Group recorded a loss of approximately USD9.0 million during the Period as compared to a loss of approximately USD10.5 million recorded in the Prior Period. Such reduction in loss was due to decrease in impairment loss on financial assets which was recorded in the Prior Period but not during the Period.

## BORROWINGS

As at 30 June 2024, 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 USD71.9 million.

As at 30 June 2024, the Company also owed shareholder loans of USD60.0 million (31 December 2023: 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 2024 was approximately USD129.0 million (31 December 2023: capital deficiencies of approximately USD119.9 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 2024, current assets of approximately USD90.0 million primarily comprised USD88.8 million of trade receivables, USD0.2 million of deposits, prepayments and other receivables, and USD0.2 million of cash and cash equivalents. Current liabilities of approximately USD232.9 million mainly comprised USD5.4 million of trade payables, USD36.4 million of other payables and accruals, USD54.7 million of bank and other borrowings, USD71.9 million of notes, and USD3.4 million of income tax payable. Current ratio, being total current assets to total current liabilities was 0.4 as at 30 June 2024 (31 December 2023: 0.4).

As at 30 June 2024, the Group had bank and other borrowings of USD55.0 million in total (31 December 2023: 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2024, the Group had a negative equity and its gearing ratio was incalculable. As at 31 December 2023, 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/or its controlling shareholders (being Cosmo Field and Mr. Li Yang) are subject to a number of legal proceedings. For details, please refer to page 12 of the 2023 annual report.

### CHARGE ON ASSETS

Except for trade receivables pledged for bank and other borrowing as disclosed in note 17 to the unaudited interim condensed consolidated financial statement, the Group did not have any pledges on its assets as at 30 June 2024.

### 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 2024, the Group had 47 employees (31 December 2023: 45 employees). During the Period, total staff costs included directors' emoluments amounting to approximately USD0.6 million (Prior Period: USD0.7 million). The total staff costs has slightly decreased during the Period under review.

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

### EVENTS AFTER REPORTING PERIOD

There are no other significant event after the Period.

## OTHER INFORMATION

### RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 30 JUNE 2024

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2024 (Note):

Classification	Quantity (million tonnes)	Fe Grade (%)
Measured	102	46.7
Indicated	–	–
Inferred	42	46.6
Total	144	46.6

Ore reserves of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 30 June 2024:

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 0 tonne were recorded (Prior Period: 60,996 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

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 20 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 C1 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.

### 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 C3 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.

### CHANGE OF DIRECTOR AND BOARD COMMITTEE MEMBER

Dr. Li Zhongquan has resigned, with effect from 17 January 2024, as an independent non-executive Director, a member of the audit committee of the Company (the **"Audit Committee"**), a member of the nomination committee of the Company (the **"Nomination Committee"**) and a member of the remuneration committee of the Company (the **"Remuneration Committee"**) due to his personal work arrangements. Mr. Dongjie was appointed as an independent non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee with effect from 17 January 2024.

### 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), Mr. Dong Jie 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, Ms. Li Xiaolan (chairman of the Nomination Committee), and two independent non-executive Directors, namely Dr. Wang Ling and Mr. Dong Jie. 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. Meanwhile, 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 2024, 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
Ng Khing Yeu (note 2)	Interest in controlled corporation	112,827,000 (L)	7.52%

Notes:

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

#### (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
Ng Khing Yeu (note 2)	Grace Generation	Beneficial owner	100.00%

Save as disclosed above, as at 30 June 2024, 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.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTEREST AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2024, 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%
Li Yang ("Mr. Li")	Interest in controlled corporation	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	134,964,000 (L)	8.99%
Haitong International Holdings Limited (note 6)	Interest in controlled corporation	134,964,000 (L)	8.99%
Haitong International Securities Group Limited (note 6)	Interest in controlled corporation	134,964,000 (L)	8.99%
Haitong Securities Co., Ltd. (note 6)	Interest in controlled corporation	134,964,000 (L)	8.99%
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 (L)	6.07%

Notes:

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



## OTHER INFORMATION

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 2024, 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

### INTERIM DIVIDEND

The Board of Directors resolved not to distribute any interim dividend for the Period (2023 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 2024. 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**  
*Director*

Hong Kong, 30 August 2024

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

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Notes	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
<b>Revenue</b>	5	<b>5,969</b>	15,051
Cost of sales		<b>(4,986)</b>	(13,018)
<b>Gross profit</b>		<b>983</b>	2,033
Other income		<b>49</b>	–
Selling and distribution expenses		<b>(294)</b>	(515)
Administrative and other expenses		<b>(1,239)</b>	(1,570)
Impairment loss on financial assets, net of reversal		<b>(86)</b>	(2,901)
Finance costs	7	<b>(8,393)</b>	(7,260)
<b>Loss before income tax</b>		<b>(8,980)</b>	(10,213)
Income tax expense	8	<b>(16)</b>	(248)
<b>Loss for the period</b>	9	<b>(8,996)</b>	(10,461)
Attribute to:			
Owner of the parent		<b>(8,966)</b>	(10,461)
Non-controlling interests		<b>(30)</b>	–
		<b>(8,996)</b>	(10,461)
<b>Other comprehensive expense for the period</b>			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		<b>(199)</b>	(440)
<b>Total comprehensive expense for the period</b>		<b>(9,195)</b>	(10,901)
Attribute to:			
Owner of the parents		<b>(9,165)</b>	(10,901)
Non-controlling interests		<b>(30)</b>	–
		<b>(9,195)</b>	(10,901)
Loss per share	11		
Basic and diluted (US cents)		<b>(0.60)</b>	(0.70)



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	2024 US\$'000 (Unaudited)	2023 US\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		405	420
Intangible assets		11,253	11,551
Goodwill		5,891	6,044
<b>Total non-current assets</b>		<b>17,549</b>	<b>18,015</b>
<b>Current assets</b>			
Inventories		805	1,044
Trade receivables	12	88,781	89,523
Deposits, prepayments and other receivables	13	187	236
Cash and cash equivalents		242	131
<b>Total current assets</b>		<b>90,015</b>	<b>90,934</b>
<b>Current liabilities</b>			
Trade payables	14	5,432	5,879
Other payables and accruals	15	36,429	34,025
Contract liabilities	16	1,069	934
Amount due to ultimate holding company		60,000	60,000
Bank and other borrowings	17	54,683	54,683
Notes	18	71,910	66,357
Income tax payable		3,423	3,480
<b>Total current liabilities</b>		<b>232,946</b>	<b>225,358</b>
<b>Net current liabilities</b>		<b>(142,931)</b>	<b>(134,424)</b>
<b>Total assets less current liabilities</b>		<b>(125,382)</b>	<b>(116,409)</b>
<b>Non-current liabilities</b>			
Bank and other borrowings	17	313	–
Provision for rehabilitation		591	602
Deferred tax liabilities		2,808	2,888
<b>Total non-current liabilities</b>		<b>3,712</b>	<b>3,490</b>
<b>Net liabilities</b>		<b>(129,094)</b>	<b>(119,899)</b>
<b>Capital and reserves</b>			
Share capital	19	1,934	1,934
Reserves		(130,998)	(121,833)
		<b>(129,064)</b>	<b>(91,221)</b>
Non-controlling interest		(30)	–
<b>Capital deficiencies</b>		<b>(129,094)</b>	<b>(119,899)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital US\$'000 (note 19)	Share premium US\$'000 (note (ii))	Capital reserve US\$'000 (note (iii))	Contributed surplus US\$'000 (note (iii))	Other reserve US\$'000 (note (vi))	Exchange fluctuation reserve US\$'000 (note (vii))	Statutory reserve US\$'000 (note (vii))	Accumulated losses US\$'000	Sub-total US\$'000	Non-controlling interests US\$'000	Total US\$'000
At 1 January 2023 (audited)	1,934	47,541	14,956	50	28,002	(5,138)	27	(167,692)	(80,320)	–	(80,320)
Loss for the period	–	–	–	–	–	–	–	(10,461)	(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)	–	(440)
Total comprehensive expense for the period	–	–	–	–	–	(440)	–	(10,461)	(10,901)	–	(10,901)
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)	–	(91,221)
At 1 January 2024 (audited)	1,934	47,541	14,956	50	28,002	(5,151)	155	(207,386)	(119,899)	–	(119,899)
Loss for the period	–	–	–	–	–	–	–	(8,966)	(8,966)	(30)	(8,996)
Other comprehensive expense for the period:											
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	(199)	–	–	(199)	–	(199)
Total comprehensive expense for the period	–	–	–	–	–	(199)	–	(8,966)	(9,165)	(30)	(9,195)
Transfer to statutory reserve	–	–	–	–	–	–	14	(14)	–	–	–
At 30 June 2024 (unaudited)	1,934	47,541	14,956	50	28,002	(5,350)	169	(216,366)	(129,064)	(30)	(129,094)

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 USD13,869,000 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 FVTOCI 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 period ended 30 June 2024.

(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 2024

	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
<b>OPERATING ACTIVITY</b>		
Cash generated (used in) from operations	(199)	516
<b>NET CASH GENERATED (USED IN) FROM OPERATING ACTIVITY</b>	<b>(199)</b>	<b>516</b>
<b>INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(2)	–
<b>NET CASH USED IN INVESTING ACTIVITY</b>	<b>(2)</b>	<b>–</b>
<b>FINANCING ACTIVITY</b>		
Proceed from bank borrowings	313	–
<b>NET CASH FROM FINANCING ACTIVITY</b>	<b>313</b>	<b>–</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>112</b>	<b>516</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>131</b>	<b>183</b>
Effect of foreign exchange rate changes	(1)	5
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>242</b>	<b>704</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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 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 2024, the Group incurred a net loss of approximately US\$9,223,000. 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\$186,906,000, while its cash and cash equivalents amount to approximately US\$242,000 only.

As at 30 June 2024, borrowings whose principal amounts of approximately US\$54,683,000 and interest payable amounts of approximately US\$26,710,000 were overdue. In addition, the Group breached terms and conditions of Overdue Borrowings during the period ended 30 June 2024. The aforementioned borrowings would be immediately repayable if requested by the lenders.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 2. BASIS OF PREPARATION (Continued)

As set out in the announcement by the Company dated 20 January 2020, Mr. Li Yang (“**Mr. Li**”), the controlling shareholder 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, the controlling shareholder 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 2024, the Company has not received any winding-up petition from the creditor or its solicitors.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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 2024 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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 2023, 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 2024 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sales and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-Current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Suppliers Finance Arrangements

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of iron ore products	–	4,737
– Sales of health products	5,969	6,682
– Sales of other products	–	3,632
	5,969	15,051

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 2024

	Iron ore mining and processing operation US\$'000 (Unaudited)	Health products trade US\$'000 (Unaudited)	Others US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
<b>Revenue from goods:</b>				
– Sales of health products	–	5,969	–	5,969
<b>Timing of revenue recognition:</b>				
– At a point in time	–	5,969	–	5,969
<b>Geographical markets:</b>				
– People's Republic of China ("PRC")	–	5,969	–	5,969

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 5. REVENUE (Continued)

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)
<b>Revenue from goods:</b>				
– 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
<b>Timing of revenue recognition:</b>				
– At a point in time	4,737	6,682	3,632	15,051
<b>Geographical markets:</b>				
– PRC	–	6,682	–	6,682
– Hong Kong	–	–	3,632	3,632
– Malaysia	4,737	–	–	4,737
	4,737	6,682	3,632	15,051



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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
- Electronic products trade – trading of electronic devices products; and
- Others – trading of other products.

During the year ended 31 December 2023, the Group commenced a new reportable and operating segment named “Electronic products trade”.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and result

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

For the six months ended 30 June 2024

	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	–	–	5,969	–	5,969
Segment (loss) profit	(9)	(1,743)	691	–	(1,061)
Unallocated income					49
Unallocated corporate expenses					(1,232)
Unallocated finance costs					(6,650)
Impairment loss on other receivables, net of reversal					(86)
Loss before income tax					(8,980)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 6. SEGMENT INFORMATION (Continued)

### Segment revenues and result (Continued)

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)
<b>Segment revenue</b>	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)

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

#### Segment assets

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
Iron ore mining and processing operation	11,633	11,945
Commercial trade	80,795	81,167
Health products trade	8,570	8,637
Electronic product trade	24	484
Others	305	307
Total segment assets	101,327	102,540
Corporate and other assets	6,237	6,409
<b>Total assets</b>	<b>107,564</b>	<b>108,949</b>

#### Segment liabilities

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
Iron ore mining and processing operation	591	824
Commercial trade	152,368	146,815
Health products trade	6,505	6,688
Total segment liabilities	159,464	154,327
Corporate and other liabilities	77,194	74,521
<b>Total liabilities</b>	<b>236,658</b>	<b>228,848</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 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. FINANCE COSTS

	For the six months ended 30 June	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
Interests on:		
– bank borrowings	1,743	1,733
– other borrowings	460	454
– notes	6,190	5,073
	<b>8,393</b>	<b>7,260</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	16	246
Deferred tax	–	2
	<b>16</b>	<b>248</b>

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 2024 and 30 June 2023.

- (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 2024 and 2023.

- (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% (2023: 24%) on the assessable profits generated for the six months ended 30 June 2024 and 2023.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 9. LOSS FOR THE PERIOD

	For the six months ended 30 June	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
Loss for the period has been arrived at after charging:		
Staff costs (including Directors' and chief executive's remuneration)	617	696
Amortisation of intangible assets	—	7
Depreciation of property, plant and equipment	11	16
Impairment loss on trade receivables, net of reversal	82	2,896
Impairment loss on other receivables, net of reversal	4	5
Lease rentals for office premises (note i)	160	97
Amount of inventories recognised as an expense	4,986	13,018
Exchange loss, net	117	352

Note:

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

## 10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2024 and 2023, nor has any dividend been proposed since the end of the reporting period.

## 11. LOSS PER SHARE

	For the six months ended 30 June	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
<b>Loss</b>		
Loss for the purpose of basic and diluted loss per share	(8,966)	(10,461)
<b>Number of shares</b>		
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 2024 and 2023.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 12. 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.

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Within 30 days	64	969
31 – 60 days	125	656
61 – 120 days	176	6,184
121 – 365 days	2,054	430
Over 365 days	86,362	81,284
	<b>88,781</b>	<b>89,523</b>

## 13. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Deposits	6	4
Prepayments	78	143
Other receivables	107	90
	<b>191</b>	<b>237</b>
Less: loss allowance	(4)	(1)
	<b>187</b>	<b>236</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 14. TRADE PAYABLES

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

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Within 90 days	487	934
91 to 180 days	–	4,945
Over 365 days	4,945	–
	<b>5,432</b>	<b>5,879</b>

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.

## 15. OTHER PAYABLES AND ACCRUALS

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Other payables	2,008	2,198
Interest payables	33,379	30,545
Accruals	1,042	1,282
	<b>36,429</b>	<b>34,025</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 16. CONTRACT LIABILITIES

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Current liabilities	<b>1,069</b>	934

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.

## 17. BANK AND OTHER BORROWINGS

	<b>30 June 2024 US\$'000 (Unaudited)</b>	<b>31 December 2023 US\$'000 (Audited)</b>
Bank loans	<b>36,846</b>	36,533
Other loan	<b>18,150</b>	18,150
	<b>54,996</b>	54,683
Analysed into:		
Within one year	<b>54,683</b>	54,683
In the second year	<b>313</b>	–
	<b>54,996</b>	54,683
Less: Amounts due within the year shown current liabilities	<b>(54,683)</b>	(54,683)
Amounts shown under non-current liabilities	<b>313</b>	–

Set out below is the information relating to the Group's bank and other borrowing as at 30 June 2024:

- As at 30 June 2024, bank loans of approximately US\$36,533,000 (31 December 2023: US\$36,533,000) is variable-rate loans. The variable-rate loans carry effective interest rate ranging from 9.05% to 9.67% per annum (31 December 2023: 9.37% to 9.50% per annum).
- As at 30 June 2024, certain of the Group's bank loans amounting to US\$36,533,000 (31 December 2023: 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 2023: US\$36,533,000) and were guaranteed by the Company and a director of the Company.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 17. BANK AND OTHER BORROWINGS (Continued)

- (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, the controlling shareholder 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.

- (d) As at 30 June 2024, 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 2024, bank loans of approximately US\$36,533,000 and US\$313,000 (31 December 2023: US\$36,533,000 and US\$nil) were denominated in US\$ and RMB respectively. As at 30 June 2024, other loan of approximately US\$18,150,000 (31 December 2023: US\$18,150,000) was denominated in HK\$.
- (f) As at 30 June 2024, the accrued interests for the bank loans and other loan are recorded in interest payable (note 15) was approximately US\$17,526,000 and US\$9,184,000 respectively (31 December 2023: US\$15,783,000 and US\$8,730,000 respectively).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. NOTES

	30 June 2024 US\$'000 (Unaudited)	31 December 2023 US\$'000 (Audited)
Notes		
– Note 1 (note a)	53,910	48,357
– Note 2 (note b)	18,000	18,000
	<b>71,910</b>	<b>66,357</b>
<b>Analysed as:</b>		
Current liabilities	<b>71,910</b>	<b>66,357</b>

Set out below is the information relating to the Group's notes and bonds as at 30 June 2024:

- (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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. NOTES (Continued)

(a) (Continued)

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) Guarantee

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. NOTES (Continued)

(a) (Continued)

(3) Guarantee (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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. NOTES (Continued)

(a) (Continued)

(3) Guarantee (Continued)

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.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 18. NOTES (Continued)

(b) (Continued)

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

- There is suspension of trading of the Company's shares on the Stock Exchange is suspended for five consecutive trading days or more for any reason or cessation of trading of the Company's shares on the Stock Exchange for any reason.

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

(2) Redemption option

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

(3) Guarantees and securities

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

As at 30 June 2024, the accrued interests for Note 2 are recorded in interest payable (note 15) was approximately US\$5,553,000 (31 December 2023: US\$5,985,000).

## 19. SHARE CAPITAL

	Number of shares '000	Share capital US\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	3,000,000	3,867
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	1,500,000	1,934

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 20. RELATED PARTY TRANSACTIONS

### (a) Banking facilities

For the periods ended 30 June 2024 and 30 June 2023, a director of the Company, Mr. Li, provided guarantee for the grant of banking facilities to the Group.

For the periods ended 30 June 2024 and 30 June 2023, 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 2024 and 30 June 2023, 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	
	2024 US\$'000 (Unaudited)	2023 US\$'000 (Unaudited)
Short-term benefits	96	135
Post-employment benefits	24	20
	120	155