

CAA

CAA RESOURCES

# CAA Resources Limited 優庫資源有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code : 2112



## GLOBAL OFFERING

Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator



China Everbright Securities (HK) Limited

Joint Bookrunners and Joint Lead Managers



China Everbright Securities (HK) Limited



BOC INTERNATIONAL

\* For identification only

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## IMPORTANT

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If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.



### CAA Resources Limited 優庫資源有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

#### GLOBAL OFFERING

Number of Offer Shares : 375,000,000 Shares (subject to the Over-allotment Option)  
Number of Hong Kong Offer Shares : 37,500,000 Shares (subject to re-allocation)  
Number of International Placing Shares : 337,500,000 Shares (subject to re-allocation and the Over-allotment Option)  
Maximum Offer Price : HK\$1.60 per Offer Share payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%  
Nominal value : HK\$0.01 each  
Stock code : 2112

#### Sole Sponsor



China Everbright Capital Limited

#### Sole Global Coordinator



China Everbright Securities (HK) Limited

#### Joint Bookrunners and Joint Lead Managers



China Everbright Securities (HK) Limited



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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraphs under "Documents Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 25 June 2013 and, in any event, not later than Wednesday, 26 June 2013. The Offer Price will be not more than HK\$1.60 per Offer Share and is expected to be not less than HK\$1.30 per Offer Share unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.60 for each Offer Share together with a brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred, except pursuant to an exemption from, or in a transaction not in the United States subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws.

\* For identification only

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20 June 2013

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## EXPECTED TIMETABLE

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*If there is any change to the following expected timetable of the Hong Kong Public Offer, our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese).*

**2013**

*(Note 1)*

Application lists open (*Note 2*) . . . . . 11:45 a.m. on  
Tuesday, 25 June 2013

Latest time for the following:

- Lodging **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on  
Tuesday, 25 June 2013

- Giving electronic application instructions to HKSCC (*Note 3*) . . . . . 12:00 noon on  
Tuesday, 25 June 2013

Application lists close (*Note 2*) . . . . . 12:00 noon on  
Tuesday, 25 June 2013

Expected Price Determination Date (*Note 4*) . . . . . on or about  
Tuesday, 25 June 2013

Announcement of (i) the final Offer Price; (ii) the level of indication of the level of interest in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; (iv) the basis of allotment of the Hong Kong Offer Shares under the Hong Kong Public Offer; and (v) the number of Offer Shares reallocated, if any, between the Hong Kong Public Offer and the International Placing to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of our Company at [www.caa-resources.com](http://www.caa-resources.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) on . . . . . Tuesday, 2 July 2013

Announcement of the results of allocations, the number of the Hong Kong Offer Shares successfully applied for, and Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants under the Hong Kong Public Offer to be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares — Publication of Results” in this prospectus from . . . . . Tuesday, 2 July 2013

Results of allocations in the Hong Kong Public Offer to be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID/Passport/Business Registration Number” function. . . . . Tuesday, 2 July 2013

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## EXPECTED TIMETABLE

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Share certificates to be despatched on (*Note 5*) . . . . . Tuesday, 2 July 2013

Refund cheques in respect of wholly or partially unsuccessful  
application to be despatched on (*Note 5*) . . . . . Tuesday, 2 July 2013

Dealings in the Shares on the Stock Exchange  
expected to commence at 9:00 a.m. on . . . . . Wednesday, 3 July 2013

*Notes:*

1. All dates and times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 25 June 2013, the application lists will not open or close on that day. Further information is set out in “How to Apply for Hong Kong Offer Shares — Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to “How to Apply for Hong Kong Offer Shares — Applying by giving electronic application instructions to HKSCC” of this prospectus.
4. The Price Determination Date is expected to be on or about Tuesday, 25 June 2013. If, for any reason, the Offer Price is not agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) by Wednesday, 26 June 2013, the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
5. Refund cheques will be issued with respect to wholly or partially unsuccessful applications and also with respect to successful applications in the event that the Offer Price is less than the maximum Offer Price per Share payable on application of HK\$1.60. Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques and Share certificates (as relevant) in person may collect refund cheques (where applicable) and Share certificates (where applicable) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 2 July 2013 or any other place and date hereafter notified by our Company in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) as the place and date of despatch of Share certificates/refund cheques. Individual applicants who opt for collection in person must not authorise any other person to make collection on their behalf. Applicants being corporations which opt for collection in person must attend by their authorised representatives, each bearing a letter of authorisation from such corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity and authorisation documents (where applicable) acceptable to Tricor Investor Services Limited. Uncollected Share certificates and refund cheques will be dispatched by ordinary post at the applicants’ own risk to the addresses specified in the relevant Application Forms promptly thereafter. Applicants who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and who have indicated in their Application Forms that they wish to collect refund cheques in person may collect their refund cheques, if any, in person but may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participant’s stock account or CCASS Investor Participant’s stock account, as appropriate. The procedures for collection of refund cheques for applicants who apply on **YELLOW** Application Forms for Hong Kong Offer Shares are the same as those for applicants who apply on **WHITE** Application Forms. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares — Despatch/collection of Share certificates and refund cheques” of this prospectus.

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## EXPECTED TIMETABLE

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Share certificates will only become valid certificates of title if the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Grounds for termination” of this prospectus has not been exercised, which is currently expected to be at 8:00 a.m. on Wednesday, 3 July 2013.

For details of the structure of the Global Offering, including its conditions, you should refer to the section headed “Structure of the Global Offering” of this prospectus.

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*This prospectus is issued by our Company solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other parties involved in the Global Offering.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you. You should read this prospectus in its entirety before you decide to invest in our Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### OVERVIEW

We are a newly-established iron ore product supplier in the State of Pahang, Malaysia. Our primary business operations include iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines. We sell our iron ore products primarily to steel manufacturers and/or their respective purchase agents in China. As at the Latest Practicable Date, we owned and operated six beneficiation lines (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013) and two crushing lines. As at the Latest Practicable Date, the annual mining, crushing and beneficiation volume of Project Ibam was 2.40 Mt, 0.81 Mt and 0.58 Mt, respectively. According to our expansion plan and subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation, we expect that by the end of 2015, the annual mining volume for Project Ibam will reach 13.22 Mt and there will be a total of 18 beneficiation lines in operation with a total annual beneficiation volume of 3.18 Mt as well as a total of 14 crushing lines with a total annual crushing volume of 4.45 Mt. According to the Independent Technical Report, the estimation as of 31 December 2012 of the total probable reserve of the Ibam Mine (reported at a 35% Fe cut-off grade) was 105 Mt at an average grade of 44.8% total Fe. The combined measured and inferred mineral resource of the Ibam Mine (reported as at 35% Fe cut-off grade) was 152 Mt at an average grade of 46.5% total Fe. This includes a measured mineral resource (reported at a 35% Fe cut-off grade) of 110 Mt at an average grade of 46.7% total Fe. According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30% while the iron content of raw ores mined from the Ibam Mine has superior iron content ranging from 31% to 61%. With our sizable high quality mineral resources and ore reserves, low-cost open-pit operation method, strategic location and strong ramp-up potential on production capacity, we believe we are well-positioned to capture the business opportunities arising from the growth of the iron ore market in China. Our overall strategic objective is to exploit our competitive advantages to become one of the leading iron ore product suppliers in Malaysia in terms of production volume of iron ore products.

### OUR PROJECTS

#### *Project Ibam*

We currently undertake Project Ibam as our principal mining and beneficiation project. Gema Impak is the registered holder of the Mining Lease under which Gema Impak has been granted the right to extract and mine iron ores at the Ibam Mine for a period of six years commencing from 16



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## SUMMARY

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December 2010 and expiring on 15 December 2016. Pursuant to the Mining Agreement, we were granted the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine by Gema Impak. During the Track Record Period, we produced 17.1 Kt, 100.5 Kt and 178.8 Kt of iron ore products using iron ores mined from the Ibam Mine. In consideration of Gema Impak agreeing to grant to us the exclusive right under the Mining Agreement, Gema Impak is entitled to receive from us the Mining Fee of RM40 (equivalent to USD12.6) per tonne of iron ore products sold by us. As indicated in the Independent Technical Report, the mine life of the Ibam Mine is expected to be longer than 27 years on the basis that (i) a 10% combined dilution and loss of ore tonnage from the total estimated resource of 152 Mt is allowed; and (ii) a total ore mining tonnage of 5 Mt per annum (the planned mining volume to be achieved by 2015 excluding quantity of stripping rock) is used.

The following table sets forth an estimation of our Mineral Resources at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

<b>Classification</b>	<b>Quantity (Mt)</b>	<b>Iron grade (%)</b>
Measured	110	46.7
Inferred	42	46.4
<b>Total</b>	<b>152</b>	<b>46.5</b>

*Source: Independent Technical Report*

The following table sets forth an estimation of our Ore Reserves at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

<b>Classification</b>	<b>Quantity (Mt)</b>	<b>Iron grade (%)</b>
Probable	105	44.8
<b>Total</b>	<b>105</b>	<b>44.8</b>

*Source: Independent Technical Report*

Please refer to the paragraph headed “Mineral Resources and Ore Reserves” in the section “Appendix IV — Independent Technical Report” in this prospectus for a detailed analysis of the Mineral Resource and Ore Reserves of the Ibam Mine.

The following table summarises certain information about the Ibam Mine:

**Production data:**

Current mining method	Open-pit
Ore production volume in 2012 (Kt)	178.8
Average stripping ratio	1.97
Average recovery rate (%)	91.8
Average production rate (%)	71.4

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## SUMMARY

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**Background data:**

Mining rights area (sq.km.)	1.359
Current mining lease expiration date (month/year) <sup>(Note)</sup>	12/2016

*Note:* The term of the Mining Lease is subject to renewal.

The following table summarises certain operating costs during the Track Record Period:

	For the period from Incorporation Date of 23 August 2010 to 31 December 2010 <i>USD</i>	For the year ended 31 December 2011 <i>USD</i>	For the year ended 31 December 2012 <i>USD</i>
Mining cost	—	24.52	24.52
Cash operating cost, (exclusive of shipping)	—	53.10	53.74
Cash operating cost, (inclusive of shipping)	—	69.46	69.99

*Source: Independent Technical Report*

According to the Antaike Report, the industry average cash operating cost for PRC iron ore producers was RMB550 to RMB650 (equivalent to USD87.3 to USD103.2) (including shipping costs) per tonne of iron ore concentrates in 2011 while our cash operating costs (including shipping costs) were USD69.46 and USD69.99 per tonne of iron ore products in 2011 and 2012, respectively. Our average cash operating costs are comparatively lower than that of the PRC iron ore producers mainly because the iron content of iron ore in some Chinese mines is low that it needs to be processed prior to be sent to the beneficiation plant, however, the ore at the Ibam Mine generally has high iron ore content and low level of impurities, which lowers the cost of beneficiation. As a result, we are able to produce high quality iron ore products through simple and low-cost magnetic processing methods.

Pursuant to the Mining Agreement, Gema Impak has undertaken to apply for the extension of the Mining Lease prior to its expiry. Subject to any restrictions as may be imposed by the relevant governmental authorities, Gema Impak shall use its best endeavours to procure that the tenure of each extension shall not be less than five years. Pursuant to the Pahang Mineral Enactment 2001, if, among other things, the lessee has (i) complied with the terms and conditions specified in the original lease; (ii) complied with the requirements of the relevant mining legislations and regulations including but not limited to the Pahang Mineral Enactment 2001; and (iii) shown to the satisfaction of the relevant authority that there are mineral reserves to justify a renewal, or there is a need to maintain the property for use as an integral part of the mining operations on the adjoining mining land, the mining lease shall be renewed. In the event that Gema Impak is unable to renew the Mining Lease, Gema Impak shall cease to enjoy all the rights under the Mining Lease. Accordingly, our mining operation on Ibam Mine shall cease and our business and operating results may be materially and adversely affected. We are not the registered holder of the Mining Lease but has been granted the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine pursuant to the Mining Agreement. As advised by Ben & Partners pursuant to the enquiries made with the Office of Director of Lands and

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## SUMMARY

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Mines Pahang, notwithstanding the contractual arrangement, Gema Impak remains the registered lessee of the Ibam Mine pursuant to the Mining Lease. Our interest in the Mining Lease does not constitute a “lease of land” or a sub-lease of the Ibam Mine in favour of Pacific Mining and thus it is not registrable under the Pahang Mineral Enactment 2001 as the Mining Agreement merely confers Pacific Mining a contractual right to explore, mine, extract and sell iron ores produced from the Ibam Mine.

Under the Mining Agreement, Pacific Mining is required to, among other things, perform and/or observe a number of duties, and the failure of which might constitute a breach of the Mining Agreement and hence warrant an unilateral termination by Gema Impak if Pacific Mining fails to rectify the breach. The major duties as stipulated in the Mining Agreement include (i) managing and carrying out mining works in accordance with the standard mining practice at its own costs and expenses; (ii) obeying all laws and regulations, by-laws in force and instructions of the relevant local and state authorities regarding the mining works; (iii) employing personnel at its own costs for smooth operation of the mining works; and (iv) adhering to all terms and restrictions contained in the Mining Lease. In the event of any breach by Pacific Mining pursuant to the terms of the Mining Agreement, Gema Impak may terminate the Mining Agreement and claim for compensation/damages suffered. For further details of the Mining Agreement, please refer to the section headed “Business — The Ibam Mine — Our contractual rights under the Mining Agreement” of this prospectus.

### *Project Esperance*

Esperance Mine is located near the Ibam Mine and the mining lease of which is held by Esperance Mining. During the Track Record Period, we entered into the Cooperation Agreement with Esperance Mining, pursuant to which we were entitled to invest and install our beneficiation facilities at the Esperance Mine to produce iron ore concentrates while Esperance Mining was required to supply crude ores mined from the Esperance Mine to us for beneficiation. During the period from the commencement date of the Cooperation Agreement in June 2011 to 31 December 2011 and the year ended 31 December 2012, we produced and owned 7.8 Kt and 164.0 Kt of iron ore products using iron ores mined from the Esperance Mine, respectively.

Since the mining lease of the Esperance Mine is held by Esperance Mining, which is an Independent Third Party while we were merely granted the contractual right to, among others, install the beneficiation facilities at the Esperance Mine and to carry out beneficiation activities, it is therefore practically infeasible for us to compel Esperance Mining to commission an independent technical report. After reaching mutual consent, a termination agreement was entered into between Esperance Mining and us on 10 April 2013 to terminate the Cooperation Agreement with immediate effect and neither party shall be entitled to any penalties pursuant to such termination. The two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended and such relocation will incur cost of USD720,000 among which USD690,000 would be capitalised and USD30,000 would be recognised as expense in profit or loss in 2013. It is further expected that, pursuant to the termination, our Group may not be able to secure a contractual long-term supply of crude ore from the Esperance Mine under the Cooperation Agreement. Should our Company enter into any cooperation arrangement after the Listing in a manner that is similar to the Cooperation Agreement, our Company undertakes to provide a

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## SUMMARY

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competent person's report in this regard and comply with Chapter 18 of the Listing Rules. Where the details of relevant resources and/or reserves are publicly disclosed, our Company will also update the same in the annual report in accordance with the reporting standard under which they are previously disclosed.

Given the fact that (i) no penalty will be imposed on our Group pursuant to the termination of the Cooperation Agreement; (ii) the short period of disturbance to our operation and small monetary amounts used in relocating the two beneficiation lines from the Esperance Mine to the Ibam Mine; (iii) the consequence of no revenue will be contributed from Project Esperance to our Group upon the termination of the Cooperation Agreement can be compensated by the ramping up of production from Project Ibam according to our expansion plan and production capacity, which is expected to increase from 230,000 tonnes in 2012 to 1.2 million tonnes in 2013, representing an increase of 421.7% and further increase to 2.5 million tonnes in 2014, representing an increase of 108.3%; (iv) the economies of scale as a result of the ramping up of production in Project Ibam going forward will to a large extent offset the negative impact on our gross profit margin resulting from the termination of the Cooperation Agreement, due to Project Esperance contributed a higher gross profit margin to our Group, maintained at a level above 60%, during the Track Record Period whereas Project Ibam contributed a slightly lower gross profit margin of 38.0% and 46.1% in 2011 and 2012; and (v) our selling and distribution expenses, administrative expenses and other miscellaneous expenses are incurred varied with revenue and will not be affected by the termination of the Cooperation Agreement, our Directors are of the view that the termination of the Cooperation Agreement will not have a material adverse impact to our Group's operation, liquidity position and financial results. Our Directors further confirm that to the best of our knowledge, none of our connected persons has the intention to take over the cooperation business with Esperance Mining. As such, our Directors consider that there is not and will not be any competition issues in this regard. Please refer to the section headed "Business — Overview" of this prospectus for further details of our business operation.

### OUR PRODUCTS

Our iron ore products appear in the form of iron ore concentrates and iron ore fines.

#### *Self-production*

During the Track Record Period, we sold nil, 115.4 Kt and 178.2 Kt, respectively and derived nil, 49.4% and 35.7%, respectively of our revenue from the sale of iron ore products produced from the Ibam Mine; and we sold nil, 7.8 Kt and 135.9 Kt, respectively and derived nil, 2.9% and 26.0%, respectively of our revenue from the sale of iron ore products produced from the Esperance Mine.

#### *Trading*

During the Track Record Period, we sold 82.0 Kt, 115.3 Kt and 150.1 Kt, respectively, and derived 100.0%, 46.7% and 30.3% respectively of our revenue from trading of iron ore products.

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## SUMMARY

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The following table sets forth certain information about sales of iron ore products for the periods indicated:

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2012</b>
Sales volume (tonne) (on dry basis) <i>(Note)</i>	76,232	220,332	428,730
Average selling price (USD/dry tonne)	90.1	122.3	116.6
Revenue from sales of iron ore products (USD'000) <i>(Note)</i>	6,865	26,954	49,986

*Note:* Iron ore products produced from our discontinued operation at the Besol Mine and Talam Mine were excluded from the sales volume on dry basis and revenue from sales of iron ore products.

We negotiate with our customers on iron ore product price with reference to the Platts Index and product prices index on Mysteel.com which are on dry basis. Our iron ore products are weighted and recorded internally on wet basis. The settlement among our customers and us are based on sales volume on dry basis, which makes reference to the volume on dry basis in inspection and/or custom clearance records in Malaysia and/or China. The average selling price on dry basis is set out above for reference. Unless otherwise specified, all references to volumes of iron ore or iron ore products in this prospectus refer to volume on wet basis.

### SALES AND CUSTOMERS

We sell our iron ore products directly to our customers on CFR basis or FOB basis. Generally, the prices of our iron ore products are made with reference to the Platts Index and product prices index published on Mysteel.com. Based on contractual arrangement, we usually do not offer credit period to our customers. We normally accept settlement by way of irrevocable letter of credit or telegraphic transfer. We may sometimes request customers to pay deposit upon signing sales contracts with us. During the Track Record Period, we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC, including Ningbo Iron, a subsidiary of Baosteel Group Corporation. Starting from the second half of 2012, we also sold iron ore products to customers in Malaysia.

### INDEPENDENT THIRD PARTY CONTRACTORS

As at the Latest Practicable Date, we engage the Mining Contractor to carry out mining works at the Ibam Mine and our Transportation Contractors to handle the logistic arrangement for all of our iron ore products. Our Directors believe that the sub-contracting arrangements will lower our overall operational costs while maintaining our profitability and operational flexibility. During the Track Record Period, the service fee paid to the Mining Contractor amounted to nil, USD0.2 million and USD0.5 million, respectively; and the service fee paid to the Transportation Contractors amounted to USD0.1 million, USD0.9 million and USD2.0 million, respectively. The service fee paid to the Transportation Contractors for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 was incurred for the preparatory work prior to the operation of the Ibam Mine.

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## SUMMARY

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### EXPANSION PLAN AND CAPITAL EXPENDITURE

Our production expansion plan is to expand our annual mining, crushing and beneficiation volume to reach 13.22 Mt, 4.45 Mt and 3.18 Mt, respectively, by the end of 2015. We intend to fund our expansion plan with the revenue generated from our operations as well as the proceeds of the Global Offering. We plan to invest USD62.4 million in total as capital expenditure for the three phases of the expansion plan.

The timeline below highlights our development plan on Project Ibam:

Development phase	Time schedule	Estimated monthly mining volume by the end of the development phase <i>(Kt)</i>	Number of crushing lines by the end of the development phase	Estimated monthly crushing volume by the end of the development phase <i>(Kt)</i>	Number of beneficiation lines by the end of the development phase	Estimated monthly beneficiation volume by the end of the development phase <i>(Kt)</i>	Capital expenditure <i>(USD million)</i>
Phase One <i>(Note 1)</i>	first quarter of 2013-July 2013	665	7	224	11 <i>(Note 2)</i>	160	26.0
Phase Two <i>(Note 1)</i>	November 2013-March 2014	998	11	336	15	240	20.8
Phase Three <i>(Note 1)</i>	September 2014-January 2015	1,247	14	420	18	300	15.6

*Notes:*

- (1) The Directors confirm that the beneficiation lines installed under these phases can process a greater volume of iron ore products than those previously installed by us.
- (2) Two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended.

For details of our expansion plan, please refer to the section headed “Business — Expansion Plan and Capital Expenditure” in this prospectus.

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## SUMMARY

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### COMPETITIVE STRENGTHS

The Directors believe that, (i) our sizeable high quality mineral resources and ore reserves; (ii) our stable business relationship with reputable steel manufacturers and/or their respective purchase agents in the PRC; (iii) our highly efficient operation and strong ramp-up potential; (iv) our access to local transportation networks and loading facilities; and (v) our experienced senior management team, are our competitive strengths. Please refer to the section headed “Business — Our Competitive Strengths” for a more comprehensive discussion of our competitive strengths.

### RISK FACTORS

There are certain risks relating to an investment in our Shares. Please refer to the section headed “Risk Factors” in this prospectus for a more comprehensive discussion.

### SUMMARY OF FINANCIAL INFORMATION

Capture Advance and Pacific Mining were acquired by the Group via Best Sparkle on 22 December 2010 and 26 December 2010 respectively. As such, pre-acquisition financial information for Pacific Mining and Capture Advance was set forth in Appendix IIA and Appendix IIB to this prospectus, respectively, which has been prepared in accordance with IFRSs.

The following set forth a summary of combined financial information of our Group during the Track Record Period, which was derived from, and should be read in conjunction with the Accountants’ Report in Appendix I to this prospectus, which has been prepared in accordance with IFRSs.

#### Selected line items of combined statements of comprehensive income

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>USD’000</i>	<i>USD’000</i>	<i>USD’000</i>
Revenue	6,865	27,220	54,323
Gross profit	664	7,650	22,076
Profit/(loss) for the period/year from continuing operations	(116)	1,200	10,404
Profit for the period/year from discontinued operations	—	1,120	—
Profit/(loss) for the period/year	(116)	2,320	10,404

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## SUMMARY

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The following table sets forth a breakdown of our Group's gross profit margin for the periods indicated.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
<b>Gross Profit Margin</b>			
Sale of iron ore products			
Self-production activities	—	39.6%	52.8%
- Project Ibam	—	38.0%	46.1%
- Project Esperance	—	66.5%	62.0%
Trading activities	9.7%	15.8%	26.5%
Rendering of services	—	0.4%	0.3%
<b>Overall</b>	<b>9.7%</b>	<b>28.1%</b>	<b>40.6%</b>

### Termination of the Cooperation Agreement of Project Esperance

The following table sets forth the key financial information of (i) our Group as a whole; (ii) Project Esperance; and (iii) excluding Project Esperance during the Track Record Period.

	For the period from the Incorporation Date of 23 August 2010 to 31 December 2010			For the year ended 31 December 2011				For the year ended 31 December 2012			
	Our Group	Excluding Project Esperance		Our Group	Project Esperance			Our Group	Project Esperance		
		Project Esperance	Project Esperance		Sales of iron ore products	Rendering of services	Excluding Project Esperance		Sales of iron ore products	Rendering of services	Excluding Project Esperance
Revenue (USD'000)	6,865	—	6,865	27,220	793	266	26,161	54,323	14,123	4,337	35,863
Gross profit (USD'000)	664	—	664	7,650	527	1	7,122	22,076	8,753	15	13,308
Gross profit margin (%)	9.7	—	9.7	28.1	66.5	0.4	27.2	40.6	62.0	0.3	37.1

### The financial performance of the Group during the Track Record Period

#### Revenue

Our Group recorded continuous increase in revenue from USD6.9 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD27.2 million in 2011 and further up to USD54.3 million in 2012. Such increment was mainly attributable to the expansion of production through the installation of beneficiation lines which resulted in the increase in sales volume. During the Track Record Period, revenue from sales of iron ore products contributed from Project Esperance accounted for nil, 2.9% and 26.0%, respectively of our revenue. Upon the termination of the Cooperation Agreement on 10 April 2013, it is expected that no revenue will be contributed from Project Esperance to our Group.



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## SUMMARY

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### *Gross profit and gross profit margin*

Our Group's gross profit in 2012 was USD22.1 million, a significant increase from USD7.7 million in 2011 and USD0.7 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010. We were also able to improve our gross profit margin from 9.7% for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to 28.1% in 2011 and 40.6% in 2012. Such increase in our gross profit and gross profit margin was mainly due to the increasing sales volume of our self-produced iron ore products which usually carries higher gross profit margin. Gross profit margin for trading activities was comparatively lower during the Track Record Period. As the revenue from the sale of trading of iron ore products is expected to account for a smaller proportion of our Group's revenue going forward, the reduced proportion is expected to have a positive impact on the Group's overall gross profit margin.

During the Track Record Period, our Group recorded a high gross profit margin of over 60% from the production activities in Project Esperance pursuant to the Cooperation Agreement as a result of the lower level of cost incurred because of (i) the absence of exploration, mining and extraction cost; (ii) the absence of mining fee payable to the registered holder of mining lease of Esperance Mine and (iii) the favourable purchase price of the remaining 42% iron ore products from Esperance Mining, at the price reached upon commercial negotiation between Esperance Mining and our Group with reference to the prevailing local market price, which is in general lower than international iron ore market price. Esperance Mining agreed to sell its iron ore products to us at a favourable price compared to the prevailing local market price because (i) beneficiation process requires a large amount of capital expenditure. Esperance Mining could substantially reduce its capital expenditure on beneficiation facilities through the Cooperation Agreement; (ii) Esperance Mining benefits from our stable demand for iron ore products produced from the Esperance Mine for we have established sales network and distribution channels in the PRC as we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC; (iii) we are willing to offer favourable payment terms, including prepayments, to Esperance Mining from time to time; and (iv) we are responsible to handle all logistic arrangement, and Esperance Mining does not need to bear any transportation cost or other transaction fee in relation to the sales of the iron ore products by us. However, upon the termination of the Cooperation Agreement on 10 April 2013, our Group's overall gross profit margin may drop if we are unable to improve the gross profit margin from the reduced average production cost under the economies of scale as a result of the expanding production activities in Project Ibam going forward.

### **Selected line items of combined statement of financial position**

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Non-current assets	30,026	30,320	36,660
Current assets	3,030	990	5,736
Non-current liabilities	4,333	4,483	4,811
Current liabilities	28,919	25,536	10,977
Net current liabilities	(25,889)	(24,546)	(5,241)
Net asset/(liabilities)	(196)	1,291	26,608

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## SUMMARY

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### *Net current liabilities*

Our Group recorded net current liabilities throughout the Track Record Period, which was mainly contributed by (i) the consideration payables arising from the acquisitions of equity interest in Pacific Mining; and (ii) amounts due to Chengdu Hande, who financed our Group's early development. We have taken various measures to improve our Group's liquidity position. On 6 August 2012, our Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged our liability and obligation in respect of debts in full, amounting to USD13.1 million as at 31 July 2012. The transfer of the final 30% equity interest in Pacific Mining has been completed and the remaining consideration payable of USD4.5 million has been fully repaid in December 2012. Therefore, our net current liabilities as at 31 December 2012 was improved and dropped to USD5.2 million. During the Track Record Period, there was no default in payments by our Group.

### **Sensitivity analysis**

The following analysis shows how changes in average selling price of iron ore products will impact our Group's net profit/(loss) during the Track Record Period.

*For the period from the Incorporation Date of 23 August 2010 to 31 December 2010*

Our base case scenario is calculated using a historical net loss of USD116,000 for the period from the Incorporation Date of 23 August 2010 to 31 December 2010:

<b>Percentage increase/(decrease) in average selling price</b>	<b>Net profit/(loss) for the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>Percentage increase/(decrease) in net loss for the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>
%	USD'000	%
50%	3,317	(2,959%)
40%	2,631	(2,368%)
30%	1,944	(1,776%)
20%	1,257	(1,184%)
10%	571	(592%)
2%	—	(100%)
0%	(116)	0%
(10%)	(802)	591%
(20%)	(1,489)	1,184%
(30%)	(2,175)	1,775%
(40%)	(2,862)	2,367%
(50%)	(3,548)	2,959%

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## SUMMARY

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*For the year ended 31 December 2011*

Our base case scenario is calculated using a historical net profit of USD2,320,000 for the year ended 31 December 2011:

<b>Percentage increase/(decrease) in average selling price</b>	<b>Net profit/(loss) for the year ended 31 December 2011</b>	<b>Percentage increase/(decrease) in net profit for the year ended 31 December 2011</b>
%	<i>USD'000</i>	%
50%	19,356	734%
40%	15,948	587%
30%	12,541	441%
20%	9,134	294%
10%	5,727	147%
0%	2,320	0%
(7%)	—	(100%)
(10%)	(1,087)	(147%)
(20%)	(4,494)	(294%)
(30%)	(7,902)	(441%)
(40%)	(11,309)	(587%)
(50%)	(14,716)	(734%)

*For the year ended 31 December 2012*

Our base case scenario is calculated using a historical net profit of USD10,404,000 for the year ended 31 December 2012:

<b>Percentage increase/(decrease) in average selling price</b>	<b>Net profit/(loss) for the year ended 31 December 2012</b>	<b>Percentage increase/(decrease) in net profit for the year ended 31 December 2012</b>
%	<i>USD'000</i>	%
50%	35,396	240%
40%	30,398	192%
30%	25,399	144%
20%	20,401	96%
10%	15,402	48%
0%	10,404	0%
(10%)	5,405	(48%)
(20%)	406	(96%)
(21%)	—	(100%)
(30%)	(4,592)	(144%)
(40%)	(9,591)	(192%)
(50%)	(14,589)	(240%)

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## SUMMARY

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### LATEST DEVELOPMENTS SUBSEQUENT TO THE TRACK RECORD PERIOD

After the Track Record Period and according to the Platts Index, the average international prices for 62% iron ore products remained stable at USD150 per tonne in January 2013, USD155 per tonne in February 2013, USD141 per tonne in March 2013, USD138 per tonne in April 2013 and USD124 per tonne in May 2013. Our Group keeps focusing on the development of our Project Ibam and in the midst of installing the seventh and eighth beneficiation lines and the third crushing line at Ibam Mine. During the four months period ended 30 April 2013, we sold 105,300 tonnes of iron ore products, over 80% of the total iron ore products sold were from self-production activities, with average selling price per tonne on dry basis of USD115. The iron ore products were generally of iron ore grade of 60%. Our gross profit margin for the four months ended 30 April 2013 was improved and increased approximately 10% from that of 40.6% for the year ended 31 December 2012. As we focus on our self-production activities and benefit from the economies of scale as a result of the ramping up of production in Project Ibam. Up to the date of this prospectus, our Directors confirm that there has been no material adverse change to our Group's operations and financial position.

We expect our total listing expenses to be USD2.9 million in the statement of comprehensive income, of which USD1.8 million has been incurred and recognised in the Track Record Period while a further USD0.4 million has been incurred up to 30 April 2013 but not reflected in the Track Record Period. Total listing expenses of USD3.1 million in relation to the issue of new shares would be capitalised, of which USD0.5 million has been reflected in the Track Record Period while a further USD0.2 million has been capitalised up to 30 April 2013 but not reflected in the Track Record Period. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of comprehensive income of our Group or to be capitalized is subject to adjustment based on audit and the then changes in variables and assumptions.

### SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Global Offering, Cosmo Field and Mr. Li will control more than 50% of our issued share capital, irrespective of whether the Over-allotment Option or any option under the Share Option Scheme is exercised partially or in full, or at all. For the purpose of the Listing Rules, Cosmo Field and Mr. Li are our Controlling Shareholders. Please refer to the section headed "Relationship with Controlling Shareholders" in this prospectus for details.

### OFFERING STATISTICS

Market capitalisation at Listing	:	HK\$1,950 million to HK\$2,400 million
Offer size	:	Initially 25% (excluding Shares to be offered pursuant to the exercise of the Over-allotment Option and any options under the Share Option Scheme) of the enlarged issued share capital of the Company

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## SUMMARY

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Over-allotment Option	:	Up to 3.75% of the enlarged issued share capital of the Company
Offer Price per Share	:	HK\$1.30 to HK\$1.60 per Share
Offering structure	:	90% International Offering and 10% Hong Kong Public Offer (subject to re-allocation and the Over-allotment Option)
Use of proceeds	:	

The net proceeds to our Company for the issue of new Shares will be about HK\$495 million, assuming the Over-allotment Option is not exercised and an Offer Price of HK\$1.45 per Share (being the mid-point of the indicative Offer Price range) and after deducting the underwriting fees and commissions and estimated expenses payable by our Company for the Listing. We plan to use the net proceeds of the Global Offering as follows:

- approximately 51.6%, or HK\$255.5 million, to finance the expansion of mining and beneficiation capacity of Project Ibam;
- approximately 19.2%, or HK\$95.0 million, to finance the construction of the new berth at Kuantan Port for the right to use this dedicated berth;
- approximately 19.2%, or HK\$95.0 million, for acquisitions of companies with existing exploration rights and additional mining assets in Malaysia; and
- the balance of the net proceeds to be used for working capital and other general corporate purposes.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS ATTRIBUTABLE TO THE OWNERS OF THE PARENT

Unaudited pro forma adjusted net tangible assets per Share (*Note*)

Based on an Offer Price of HK\$1.60 per Offer Share .....	HK\$0.37
Based on an Offer Price of HK\$1.30 per Offer Share .....	HK\$0.30

*Note:* Please see “Appendix III — Unaudited Pro Forma Financial Information” for further details regarding the assumptions used and the calculation method.

### DIVIDEND POLICY

During the Track Record Period and up to the Latest Practicable Date, we had not declared or paid any dividend to our Shareholders. Subject to below, it is our Company’s dividend policy that approximately 50% to 60% of our Group’s profits available for distribution will be recommended for distribution in each financial year, commencing from the financial year ending 31 December 2013, in the form of interim dividend and final dividend. Our Directors consider that, in general, the amount of any future dividend to be declared by our Company will depend on our Group’s results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Our Directors consider that our Company’s dividend policy mentioned above will not materially affect our Group’s working capital position in the coming years.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.*

“Antaike”	Beijing Antaike Information Development Co., Ltd., an Independent Third Party and a subsidiary of Information Center of China National Nonferrous Metals Industry (also named as Nonferrous Metals Techno-Economic Research Institute) and overseen by China Nonferrous Metals Industry Association (CNI-A), specializing in providing data and analyses in relation to the PRC metal market through websites <a href="http://www.antaike.com">www.antaike.com</a> (English) and <a href="http://www.metalchina.com">www.metalchina.com</a> (Chinese) and release monthly industry reports
“Antaike Report”	the iron ore industry report prepared by Antaike dated 20 June 2013
“Application Form(s)”	<b>WHITE</b> application form(s) and <b>YELLOW</b> application form(s) relating to the Hong Kong Public Offer, or where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company, conditionally adopted on 12 April 2013 and taking effect upon Listing, a summary of which is set forth in Appendix V to this prospectus
“Asset Transfer Agreement”	the asset transfer agreement dated 18 March 2011 entered into among Best Sparkle, the counterparty of the Besol Mining Rights Agreement and the Talam Mining Rights Agreement, Capture Advance and Pacific Mining, pursuant to which, among others, our interests in the Besol Mine and Talam Mine were disposed of
“associates”	has the meaning ascribed to it under the Listing Rules
“Ben & Partners”	Ben & Partners, the legal advisers to the Company as to Malaysian laws
“Besol Mine”	the mine located in Lot 1407 and 1408, Sungai Besol, Jerantut, Pahang, Malaysia
“Besol Mining Rights Agreement”	an agreement dated 5 May 2008 entered into between Capture Advance and an Independent Third Party, pursuant to which Capture Advance acquired a 20-year exclusive mining right of the Besol Mine subject to the terms and conditions stipulated therein

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## DEFINITIONS

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“Best Sparkle”	Best Sparkle Development Ltd., a company incorporated in the BVI with limited liability on 25 August 2010, and which is wholly owned by Capture Advantage, and an indirect wholly-owned subsidiary of our Company, as at the Latest Practicable Date
“BNM”	Bank Negara Malaysia, the Central Bank of Malaysia which was established on 26 January 1959 under the Central Bank of Malaysia Act 1958 which has been repealed by the Central Bank of Malaysia Act 2009 which provides for, inter alia, the continued existence of the Central Bank of Malaysia
“Bright Mining”	China Bright Mining Limited (中國光明礦業有限公司), a company incorporated in Hong Kong with limited liability on 10 April 2012, and which is wholly owned by Capture Advantage, and an indirect wholly-owned subsidiary of our Company, as at the Latest Practicable Date
“Board” or “Board of Directors”	the board of Directors of our Company
“BOCI”	BOCI Asia Limited, a licensed corporation under the SFO for type 1 regulated activity (dealing in securities) and type 6 regulated activity (advising on corporate finance)
“business day”	any day (other than Saturday, Sunday or a public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the share premium account of the Company upon completion of the Global Offering referred to in the paragraph headed “Further information about our Company — Written resolutions of our Shareholders passed on 12 April 2013” in Appendix VI to this prospectus
“Capture Acme”	Capture Acme Co., Ltd. (formerly known as Shinning Pax Enterprises Ltd. and Capture Advance Co., Ltd.), a company incorporated in the BVI with limited liability on 2 April 2007 and was struck off from the registrar of companies in the BVI on 1 November 2011

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## DEFINITIONS

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“Capture Advance”	Capture Advance Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 15 November 2007 and which is wholly owned by Best Sparkle, and an indirect wholly-owned subsidiary of our Company, as at the Latest Practicable Date
“Capture Advantage”	Capture Advantage Co., Ltd., a company incorporated in the BVI with limited liability on 23 August 2010, and which is a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CFR”	cost and freight, a term of sale whereby the seller is considered to have delivered the goods when it passes the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss of or damage to the goods, as well as any additional costs incurred after the time of delivery, is transferred from the seller to the buyer
“Cheer Thrive”	Cheer Thrive Limited (怡茂有限公司), a company incorporated in the BVI with limited liability on 26 March 2012, and which is wholly owned by Ms. Yang Yiwei, as at the Latest Practicable Date
“Comprehensive Rock Ore Testing Centre”	an integrated testing and research institution based in Chengdu, Sichuan Province, the PRC specializing in ore testing and beneficiation testing



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## DEFINITIONS

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“Chengdu Hande”	成都漢德投資管理有限公司 (Chengdu Hande Investment Management Co., Ltd.), a limited liability company established in the PRC on 19 November 2003, which is owned by Mr. Li Dongming, Mr. Wang Er and Ms. Li Xiaolan as to 32%, 32% and 6% as at the Latest Practicable Date, and is deemed as a connected person of our Company under the Listing Rules
“chief executive”	the chief executive (as defined in the SFO) of the Company
“China” or “PRC”	The People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities
“China Everbright Securities” or “Sole Global Coordinator”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (advising on asset management) regulated activities
“CIF”	cost insurance and freight
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
“Company” or “our Company”	CAA Resources Limited, an exempted company incorporated in the Cayman Islands with limited liability on 25 April 2012
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangement”	a contractual arrangement agreed among Pacific Mining, the Original Shareholders and Mr. Li, the details of which is more particularly set out in the section headed “History and Corporate Structure — Reorganisation — Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement — Phase I - Planned Acquisition and Contractual Arrangement”
“Control of Supplies Act 1961”	Control of Supplies Act 1961 of Malaysia and its subsequent amendment(s) thereof

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in the context of this prospectus means the controlling shareholders of our Company, namely Cosmo Field and Mr. Li, and Controlling Shareholder means any one of them
“Cooperation Agreement”	the agreement dated 24 June 2011 entered into between Capture Advance and Esperance Mining, pursuant to which Capture Advance is entitled to set up its own iron ore beneficiation lines at the Esperance Mine while Esperance Mining is required to provide crude iron ore for beneficiation. The agreement was terminated on 10 April 2013
“Cooperation Memorandum”	the non-legally binding cooperation memorandum dated 26 April 2012 entered into between Capture Advance and Miva System, subject to future formal cooperation agreement, Capture Advance shall be responsible for setting up its own iron ore beneficiation lines at the Miva Mine and the sale of iron ore products
“Cosmo Field”	Cosmo Field Holdings Limited (宇田控股有限公司), a company incorporated in the BVI with limited liability on 26 March 2012, and which is wholly owned by Mr. Li as at the Latest Practicable Date
“Deed of Appointment”	the deed of appointment dated 11 May 2012 entered into between Pacific Mining and Capture Advance, pursuant to which Pacific Mining appointed Capture Advance as its contractor to, among other things, manage, supervise, conduct and carry out mining activities at the Ibam Mine
“Deed of Indemnity”	the deed of indemnity dated 9 June 2013 and entered into between the Controlling Shareholders and our Company, details of which are set forth in the paragraphs under “Other Information — Tax and other indemnities” in Appendix VI to this prospectus
“Director(s)”	the director(s) of our Company
“Director of Lands and Mines”	the Director of Lands and Mines Pahang, Malaysia
“East Soar”	East Soar Holdings Limited (東昇控股有限公司), a company incorporated in the BVI with limited liability on 16 March 2012, and which is wholly owned by Mr. Gao Pengxiang, as at the Latest Practicable Date
“Environmental Quality Act 1974”	Environmental Quality Act 1974 of Malaysia and its subsequent amendment(s) thereof

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## DEFINITIONS

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“Esperance Mine”	the mine located in Lot 27124, Bukit Ibam, Mukim Keratong, Daerah Rompin, Pahang, Malaysia and is near the Ibam Mine and the mining lease of which is held by Esperance Mining
“Esperance Mining”	Esperance Mining Sdn. Bhd., a company incorporated in Malaysia on 5 October 2004 and is an Independent Third Party
“Existing Shareholders”	Mr. Li, Mr. Yang Jun, Ms. Yang Yiwei, Ms. Liu Ping, Ms. Jin Lixuan and Mr. Gao Pengxiang
“Factories and Machinery Act 1967”	Factories and Machinery Act 1967 of Malaysia and its subsequent amendment(s) thereof
“FOB”	free on board, a term of sale whereby the seller delivers when the goods pass the ship’s rail at the named port of shipment after which the buyer has to bear all shipping and other costs and risks in respect of loss of or damage to the goods from that point
“Gebeng Site”	the parcel of land identified as GM 349, Lot 1992, Pengorak Mukim of Sungai Karang, Daerah Kuantan, Pahang, Malaysia
“Gema Impak”	Gema Impak Sdn. Bhd., a company incorporated in Malaysia on 4 December 2006 with Pacific Mining holding 50% shareholding interest in Gema Impak as nominee for the Original Shareholders on a pro-rata basis pursuant to the Protection Enhancement Arrangement as at the Latest Practicable Date
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Group”, “we” or “us”	Our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our current subsidiaries, our current subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and “our” shall be construed accordingly
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong Offer Shares”	the 37,500,000 new Shares being initially offered by our Company for subscription under the Hong Kong Public Offer, representing 10% of the initial number of the Offer Shares, subject to re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) at the Offer Price, payable in full on application, and subject to the terms and conditions stated in this prospectus and the Application Forms
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional Hong Kong Public Offer underwriting agreement dated 19 June 2013 entered into between, among others, the Company and the Hong Kong Underwriters relating to the Hong Kong Public Offer, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Hua Heng”	Hua Heng Investments Limited (華恆投資有限公司), a company incorporated in the BVI with limited liability on 23 March 2012, and which is wholly owned by Mr. Yang Jun, as at the Latest Practicable Date
“Ibam Mine”	the mining site in respect of which the Mining Lease is granted and is located in Lot 27887 (PA 143236), Sungai Cipai, Mukim Keratong, Daerah Rompin, Pahang, Malaysia
“IFRSs”	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
“Incorporation Date”	the incorporation date of Capture Advantage, i.e. 23 August 2010
“Independent Technical Advisor” or “Geos Mining”	Geos Mining, an Independent Third Party and the Competent Person (which has the meaning ascribed to it under Chapter 18 of the Listing Rules) appointed by our Company in respect of the Listing, and a specialist independent geological and mineral exploration consultants based in Sydney, Australia and operating in accordance with Australian laws and professional codes of ethics

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## DEFINITIONS

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“Independent Technical Report”	the independent technical report prepared by Geos Mining dated 20 June 2013
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executives, Substantial Shareholders of the Company or any of its subsidiaries and their respective associates, and “Independent Third Party” means any of them
“International Placing”	the conditional placing of the International Placing Shares at the Offer Price to selected professional, institutional and private investors as set out in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 337,500,000 Shares expected to be initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional international placing underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date
“iron ore products”	the products produced from our iron ore crushing and beneficiation facilities in the form of iron ore concentrates and iron ore fines
“Issuing Mandate”	the general unconditional mandate granted to the Directors by the Shareholders in relation to the issue of new Shares, further information on which is set out in the paragraph headed “Further information about our Company — Written resolutions of our Shareholders passed on 12 April 2013” in Appendix VI to this prospectus

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## DEFINITIONS

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“JMG”	Jabatan Mineral dan Geosains, Malaysia or Minerals and Geoscience Department Malaysia, a government agency under the Ministry of Natural Resources and Environment of Malaysia which is involved in the field of mineral and geosciences and plays the role of providing the latest information and expertise to meet national needs in the areas of mineral and geosciences
“Joint Bookrunners” or “Joint Lead Managers”	China Everbright Securities and BOCI
“Kt”	thousand tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
“Kuantan Port”	the multipurpose port in Kuantan that is operated by Kuantan Port Consortium Sdn Bhd, which is owned by IJM Corporation Berhad (a publicly listed company on Bursa Malaysia Securities Berhad), being a major terminal of the east coast region of Peninsular Malaysia and is connected to the major sea lanes of the shipping world
“Kuantan Warehouse”	a portion of land held under HS(M) 1663 PT 1663, Pengorak, Mukim of Sungai Karang, Daerah Kuantan, Pahang, Malaysia, where we store our iron ore products
“Latest Practicable Date”	13 June 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board first commence, which is expected to be 3 July 2013
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Malaysian Companies Act 1965”	the Companies Act 1965 of Malaysia and any subsequent amendment(s) thereof

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## DEFINITIONS

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“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company (as amended from time to time), a summary of which is set out in “Appendix V — Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus
“Mining Agreement”	the iron ore mining joint-venture agreement dated 26 October 2009 entered into between Gema Impak and Pacific Mining regarding the grant of the exclusive right to explore, mine, extract and sell iron ore extracted from the Ibam Mine by Gema Impak to Pacific Mining, as supplemented by the supplementary agreement dated 17 May 2012 and the second supplementary agreement dated 5 April 2013
“Mining Contractor”	Goh KK Enterprise, registered with the Companies Commission of Malaysia, a sole proprietorship and an Independent Third Party contractor which entered into the Mining Sub-contract with us
“Mining Fee”	RM40 (equivalent to USD12.6) per tonne of iron ore products sold by Capture Advance (pursuant to the Deed of Appointment) resulting from the mining activities at the Ibam Mine payable by Pacific Mining to Gema Impak under the Mining Agreement, which shall remain the same during the tenure of the Mining Lease and any extension thereof
“Mining Lease”	the mining lease no. 17/2010 (Form F) dated 16 December 2010 issued by the Director of Lands and Mines, which is authorised to issue the Mining Lease pursuant to the Pahang Mineral Enactment 2001, to Gema Impak for the purpose of mining of mineral at the Ibam Mine subject to terms and conditions as stipulated therein for a period of six years commencing from 16 December 2010 and expiring on 15 December 2016
“Mining Sub-contract”	the mining sub-contract dated 1 December 2012 entered into between Capture Advance and the Mining Contractor, pursuant to which the Mining Contractor is engaged for managing and carrying out of mining works and reclamation/rehabilitation works at the Ibam Mine
“Miva Mine”	the mine located in 4257, Mukim Keratong, Daerah Rompin, Pahang, Malaysia, the prospecting licence of which is owned by Miva System, whereas the Miva Mine is near the Ibam Mine
“Miva System”	Miva System Sdn. Bhd., a company incorporated in Malaysia on 20 October 1995 and is an Independent Third Party

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## DEFINITIONS

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“Monthly Payment”	the fixed fee of RM50,000 per month payable by Mr. Li to the Original Shareholders pursuant to the Contractual Arrangement for the period from October 2012 to February 2013, and subsequently payable by Pacific Mining to the Original Shareholders pursuant to the Protection Enhancement Arrangement since March 2013
“Mr. Cheah”	the director of Pacific Mining since 31 August 2007 and until 31 August 2012, who is a connected person of our Company under the Listing Rules
“Mr. Li”	Li Yang (李楊), our Controlling Shareholder, executive Director, chairman and chief executive officer
“Mr. Li Dongming”	Mr. Li Dongming (李東明), the father of Mr. Li (our Controlling Shareholder, executive Director, chairman and chief executive officer) and brother of Ms. Li Xiaolan (our executive Director)
“Ms. Ang”	the director of Pacific Mining since 31 August 2007 and until 31 August 2012, who is a connected person of our Company under the Listing Rules
“Ningbo Iron”	寧波鋼鐵有限公司 (Ningbo Iron & Steel Co., Ltd.), one of our customers and an Independent Third Party
“Nominee Agreement”	the nominee agreement entered into between Pacific Mining and the Original Shareholders dated 20 March 2013, the detail of which is set forth in the section headed “History and Corporate Structure — Reorganisation — Phase II — Protection Enhancement”
“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy, and the Stock Exchange trading fee) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the paragraph headed “Structure of the Global Offering — Pricing of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option
“Original Shareholders”	Norhayati Binti Talib, Bazira Binti Bakar and Mohd Norhisham bin Mohamed Hashim, all of whom are Independent Third Parties



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## DEFINITIONS

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“Over-allotment Option”	the option expected to be granted by the Company to the Joint Bookrunners (for themselves and on behalf of the International Underwriters), exercisable at any time from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offer, to require the Company to allot and issue up to an aggregate of 56,250,000 additional new Shares representing 15% of the initial number of the Offer Shares, at the Offer Price, to cover, among other things, over-allocations in the International Placing, if any, and/or the obligations of Sole Global Coordinator to return securities borrowed under the Stock Borrowing Agreement
“Pacific Mining”	Pacific Mining Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 31 August 2007, and which is wholly owned by Best Sparkle, and an indirect wholly-owned subsidiary of our Company, as at the Latest Practicable Date
“Pahang Mineral Enactment 2001”	Pahang No.7 Mineral Enactment 2001 of Malaysia and its subsequent amendment(s) thereof
“Pahang Mineral Regulations 2005” or “PMR”	Pahang Mineral Regulations 2005 of Malaysia and its subsequent amendment(s) thereof
“Peng Rui”	Peng Rui Enterprises Limited (鵬瑞企業有限公司), a company incorporated in BVI with limited liability on 8 March 2012, and which is wholly owned by Ms. Liu Ping, as at the Latest Practicable Date
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to the Company as to PRC laws
“Price Determination Agreement”	the agreement expected to be entered into between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about 25 June 2013 (or such later date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company), on which the Offer Price is fixed for the purpose of the Global Offering and in any event no later than 26 June 2013
“Project Esperance”	the iron ore beneficiation project carried out at the Esperance Mine pursuant to the Cooperation Agreement

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## DEFINITIONS

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“Project Ibam”	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement
“Project Miva”	the iron ore beneficiation project to be carried out at the Miva Mine pursuant to the Cooperation Memorandum
“Prospecting Licence”	the prospecting licence no. 04/2009 (Form D) issued by the Director of Lands and Mines, which is authorised to issue the Prospecting Licence pursuant to the Pahang Mineral Enactment 2001, to Gema Impak on 26 August 2009 for the purpose of conducting exploration activities on the Ibam Mine for a term of two years commencing from 1 September 2009 and expired on 31 August 2011
“Protection Enhancement Arrangement”	a contractual arrangement agreed between Pacific Mining and the Original Shareholders, the details of which is more particularly set out in the section headed “History and Corporate Structure — Reorganisation — Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement — Phase II - Protection Enhancement — Protection Enhancement Arrangement”
“Reorganisation”	the corporate reorganisation of the Group in preparation for the Listing, particulars of which are set out in the paragraph headed “Reorganisation” of the section headed “History and Corporate Structure” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares granted to the Directors by the Shareholder, further information on which is set out in the paragraph headed “Further information about our Company — Written resolutions of our Shareholders passed on 12 April 2013” in Appendix VI to this prospectus
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“SAFE”	State Administration of Foreign Exchange of the PRC (國家外匯管理局)
“SAFE Circular No. 75”	《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》(The SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles)
“SFC”	the Securities and Futures Commission of Hong Kong

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## DEFINITIONS

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 12 April 2013, a summary of the principal terms of which is set out in the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Cosmo Field and the Sole Global Coordinator pursuant to which the Sole Global Coordinator may borrow up to 56,250,000 Shares from Cosmo Field for the purpose of covering over-allocation in the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Street, Drainage and Building Act 1974”	Street, Drainage and Building Act 1974 of Malaysia and its subsequent amendment(s) thereof
“subsidiary(ies)”	has the meaning ascribed to it under section 2 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases issued by the SFC as amended, supplemented or otherwise modified from time to time
“Talam Mine”	the mine located in Mukim of Batu Talam, District of Raub State of Pahang, Malaysia
“Talam Mining Rights Agreement”	an agreement dated 5 January 2009 entered into between Capture Advance and an Independent Third Party, pursuant to which Capture Advance acquired an exclusive mining right of the Talam Mine, subject to the terms and conditions stipulated therein
“Track Record Period”	the period comprising the period from the Incorporation Date on 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012
“Transportation Contractors”	Transportation Contractor I and Transportation Contractor II

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## DEFINITIONS

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“Transportation Contractor I”	Juta Berseri Sdn. Bhd., a private limited company incorporated on 25 January 1995 and an Independent Third Party contractor, primarily responsible for the transportation of our iron ore products from the Ibam Mine to the Kuantan Warehouse
“Transportation Contractor II”	Xing Her International Sdn. Bhd., a private limited company incorporated on 24 March 2011 and an Independent Third Party contractor, primarily responsible for loading of the iron ore products at the Kuantan Port
“UNCTAD”	United Nations Conference on Trade and Development
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Up Wing”	Up Wing Investments Limited (立榮投資有限公司), a company incorporated in the BVI with limited liability on 16 March 2012, and which is wholly owned by Ms. Jin Lixuan, as at the Latest Practicable Date
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US cent/dmtu”	US cent per dry metric tonne unit, which is an unit of measure for iron ore pricing and such iron ore is on dry basis
“USD”, “US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Voting Rights”	refers to either (a) the rights of Mr. Li to exercise the 50% voting rights at the shareholders’ meeting of Gema Impak in relation to matters related solely to Project Ibam pursuant to the Contractual Arrangement; or (b) the rights of Pacific Mining to exercise 50% voting rights at the shareholders’ meeting of Gema Impak in relation to matters related solely to Project Ibam, as the case may be
“WSA”	World Steel Association (formerly known as the International Iron and Steel Institute), is a non-profit organization and is an international steel industry association
“%”	per cent

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## DEFINITIONS

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*Unless the context requires otherwise, amounts denominated in RM and USD have been converted into HK\$, for the purpose of illustration only, using the following exchange rates. No representation is made that any amount in RM, HK\$ or USD could have been or could be converted at the above rates or at any other rates or at all.*

*HK\$1:RM0.409  
USD1:HK\$7.772  
USD1:RM3.177  
USD1:RMB6.301*

*The English names of the PRC nationals, entities, departments, facilities, certificates, titles and the like mentioned in this prospectus are translations from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.*

*Unless otherwise specified, all references to any shareholdings in the Company assume no exercise of the Over-allotment Option.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or approximation. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Unless otherwise specified, all references to volumes of iron ore or iron ore products in this prospectus refer to volume on wet basis.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms:*

“ball mill”	a rotating cylindrical mill that uses heavy steel balls to grind ore into fine particle powder
“beneficiation”	a process to upgrade the mineralised content of an ore or of ore concentrates typically through flotation, gravity or magnetic separation
“concentrates”	the product of ore beneficiation plants that contain higher concentrations of the minerals and are suitable for smelting
“concentrate yield”	the output of concentrate from mineral processing plant as a percentage of the feed weight
“crusher”	a machine for crushing solids to smaller grain sizes
“cut-off grade”	the threshold above which material is selectively mined or quarried
“deposit”	a body of mineralisation containing a sufficient average grade of metal or metals to warrant further exploration and/or development expenditure and a deposit may not have a realistic expectation of being mined, therefore it may not be classified as a resource or a reserve
“designed production capacity”	the theoretical output that a mine is designed to produce during its operation over a specific measurement of time as decided by a qualified design institute, based on various factors such as mining conditions, geological conditions and the capabilities and limitations of equipment
“drilling”	a technique or process of making a circular hole in the ground with a drilling machine, which typically occurs to obtain a cylindrical core as a sample of ore, and alternatively, blasthole drilling is where the drilling technique is used to create a hole to house an explosive charge in preparation for blasting a zone of rock
“exploration”	activity to prove the location, volume and quality of an ore body
“Fe”	the symbol for the chemical element of iron
“fines”	finely crushed or powdered
“gangue”	valueless material that the valuable ore mineral is associated with

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## GLOSSARY OF TECHNICAL TERMS

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“grade”	the concentration, commonly expressed as percentage or grams per tonne, of useful elements, minerals or their components in any ore or concentrate
“haematite”	one of the combined forms of iron
“indicated resource”	part of the iron ore resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus
“inferred resource”	part of the iron ore resource for which tonnage, grade and mineral content can be estimated with a low level of confidence as defined by the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus
“iron”	a silvery-white, lustrous, malleable, ductile, magnetic or magnetizable, metallic element occurring abundantly in combined forms, notably in hematite, limonite, magnetite, and taconite, and alloyed for use in a wide range of important structural materials
“iron ore”	compounds of iron and oxygen (iron oxides) mixed with impurities (gangue) and is a mineral which when heated in the presence of a reductant will yield metallic iron
“iron ore concentrates”	concentrates whose main mineral content (by value) is iron
“JORC”	the Australasian Joint Ore Reserves Committee
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition published by JORC and used to determine resources and reserves
“km”	kilometer(s)
“Kt”	thousand tonnes
“lithic fragments”	fragments of other rocks
“m <sup>3</sup> ”	cubic meter(s)
“magnetic separation”	a mineral concentrating process to separate magnetic minerals from non-magnetic materials in ground ore
“magnetite”	one of the combined forms of iron
“measured resource”	mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity

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## GLOSSARY OF TECHNICAL TERMS

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“mine life”	the number of years that a mine is expected to continue operations based on the current mine plan
“mining”	the extraction of stripping rock and useful raw ores
“Mineral Resource(s)” or “resource(s)”	a concentration or occurrence of material of intrinsic economic interest in or on the earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as defined in the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus
“mineralisation”	the process where certain elements are accumulated in large quantities
“mining rights”	the rights to mine mineral resources and obtain mineral products
“mining volume”	the aggregate volume of produced ore volume and stripping rock volume
“mm”	millimeter(s)
“Mt”	million tonnes
“Oe”	oersted, the unit of magnetizing field in the centimeter-gram-second system, also known as magnetic field strength or intensity
“open-pit”	surface mining where the ore is extracted from a pit open to the surface
“ore”	mineral-bearing rock that contains one or more minerals
“ore processing” or “processing”	the process which in general refers to the extraction of usable portions of ores by using physical and/or chemical methods
“Ore Reserve(s)” or “reserve(s)”	the economically mineable part of a measured and/or indicated mineral resource, as defined by the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus, which includes diluting materials and allowances for losses occurring when the material is mined
“Ore Resource(s)” or “resource(s)”	a concentration or occurrence of iron ore of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction
“ore bodies”	natural mineral accumulations which can be extracted for use under existing economic conditions and using existing extraction techniques
“outcropping”	where a rock layer is visible from the surface



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## GLOSSARY OF TECHNICAL TERMS

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“Platts Index”	Platts is a leading global provider of energy, petrochemicals and metals information headquartered in New York, United States and a source of benchmark price assessments for those commodity markets. Platts index is one of the three major global iron ore indexes.
“probable reserves”	the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus, which includes diluting materials and allowances for losses which may occur when the material is mined
“proved reserves”	the economically mineable part of a measured mineral resource, as defined by the JORC Code set forth in the section headed “Regulations and JORC Code” in this prospectus, which includes diluting materials and allowances for losses which may occur when the material is mined
“quartz sericite”	a type of rock found in low level hydrothermal environments
“reclamation”	in the context of mining, the process of returning the land to another productive use after mining has been completed or the restoration of land and environmental values to a surface mine site after extraction has been completed
“recovery”	mining ore recovery of ore is the tonnage mined compared to the tonnage scheduled or believed to be in the ground. Process plant recovery is the recovery of metal into concentrate as a percentage of the metal contained in the feed, with the remaining metal being lost into the waste streams
“sq.km.”	square kilometer(s)
“stripping ratio”	the ratio of the amount of rock removed to the amount of ore recovered
“tailings”	waste materials that are produced after ore processing
“tailing pond”	a storage facility for tailings
“TFe”	Total iron content by mass

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## FORWARD-LOOKING STATEMENT

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We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. We have made these statements with due care and have no reason to believe that the statements are not accurate.

These forward-looking statements include, without limitation, statements relating to our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, any statements preceded by, followed by or that include the words “aim,” “anticipate,” “believe,” “continue,” “could,” “expect,” “going forward,” “intend,” “ought to,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, and any other statements in this prospectus that are not historical facts.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

These factors include, among others, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- the exploration of mineral reserves and development of mining facilities;
- the depletion and exhaustion of mineral resources and ore reserves;
- trends in commodity prices and demand for commodities;
- industry trends, including the direction of prices and expected levels of supply and demand;
- our operations and production costs;
- our ore processing capacity expansion and planned production;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;

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## FORWARD-LOOKING STATEMENT

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- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- supply and demand changes in our products;
- changes in prices for our products;
- our production capabilities;
- our relationship with, and other conditions affecting, our customers;
- risks inherent in our mining and production;
- changes in political, economic, legal and social conditions in Malaysia and the PRC including the government's specific policies with respect to our products or business, economic growth, inflation, foreign exchanges and the availability of credit; and
- weather conditions or catastrophic weather-related damage.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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## RISK FACTORS

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*You should carefully consider the risks described below and in “Appendix IV — Independent Technical Report — Risk Analysis” and all other information contained in this prospectus before making an investment decision. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our operations are conducted in Malaysia and are governed by a legal and regulatory environment that differs in some respects from those that prevail in other countries. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our Shares could decline, and you may lose part or all of your investment.*

### RISKS RELATING TO OUR BUSINESS AND OPERATION

#### **We are exposed to fluctuation in iron ore prices and our business depends on the global economy and China’s economic growth**

During the Track Record Period, we derived a substantial portion of our revenue from the sale of iron ore products to the PRC steel manufacturers and/or their respective purchase agents. Our business and prospects depend on the rate of economic growth in the PRC which, in turn, affects demand for iron and steel. If the PRC’s economic growth slows down or if the PRC economy experiences a recession, the demand for our products may decrease and our business, financial condition and results of operations may be materially and adversely affected. In addition, growth in demand for iron ore products is directly affected by the growth of the PRC iron and steel industries. Demand for our iron ore products is, in particular, heavily dependent on the performance of our existing and potential customers in the PRC.

In 2008 and 2009, the economies of the United States, Europe and certain countries in Asia experienced a severe and prolonged recession and China experienced a slowdown in growth, which led to a cool-down in economic activity. As a result, the demand for, and market prices of, iron ore products in China also declined significantly. We recorded an average selling price per tonne of our iron ore products on dry basis of USD90.1 for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and further increased to USD122.3 for the year ended 31 December 2011 and USD116.6 for the year ended 31 December 2012, respectively. According to the Platts Index, the average iron ore price per tonne for iron ore products with Fe content of 62% was USD153.9 for the period from the Incorporation Date of 23 August 2010 to 31 December 2010, USD165.9 for the year ended 31 December 2011 and USD128.6 for the year ended 31 December 2012, respectively. As we determine sales terms with our customers based on iron ore grade of our products, the pattern of fluctuations in our average selling price per tonne of our iron ore products was generally in line with that of the Platts Index and Mysteel.com, which are both major global iron ore indexes.

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## RISK FACTORS

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The table below shows the average selling prices per tonne of iron ore products on dry basis produced by us during the Track Record Period:

Period	Average selling price per tonne of iron ore products <i>(USD)</i> <i>(Note)</i>	Percentage increase/(decrease) from previous period/year <i>(%)</i>	Revenue from sale of iron ore products for the period/year <i>(USD'000)</i>
Period from the Incorporation Date of 23 August 2010 to 31 December 2010	90.1	—	6,865
Year ended 31 December 2011	122.3	35.7	26,954
Year ended 31 December 2012	116.6	(4.7)	49,986

*Note:* We determine sales terms with our customers based on iron ore grades of our products which might vary from time to time and we make reference to the Platts Index at a fixed Fe content of 62% and/or the product price index on Mysteel.com at a fixed Fe content of 63.5%, which resulted in the differences in the average selling prices of our iron ore products with that of Platts Index and Mysteel.com for the Track Record Period.

We cannot guarantee that the average selling price of iron ore products will continue to rise. Due to the change in the global economy and China's economic growth, the demand and price of iron ore products may fluctuate in the future. It will then have a material adverse effect on our gross profit margin, profitability and revenue growth as well as on our expansion plan.

### **We might not be able to maintain our gross profit margin**

During the Track Record Period, our Group recorded a higher gross profit margin of nil, 66.5% and 62.0% from the production activities in Project Esperance pursuant to the Cooperation Agreement and the revenue from sales of iron ore products contributed from Project Esperance accounted for nil, 2.9% and 26.0%, respectively of our revenue.

Since the mining lease of the Esperance Mine is held by Esperance Mining, which is an Independent Third Party while we were merely granted the contractual right to, among others, install the beneficiation facilities at the Esperance Mine and to carry out beneficiation activities, it is therefore practically infeasible for us to compel Esperance Mining to commission an independent technical report. After reaching mutual consent, a termination agreement was entered into between Esperance Mining and us on 10 April 2013 to terminate the Cooperation Agreement. Upon termination of the Cooperation Agreement, it is expected that no revenue will be contributed from Project Esperance to our Group going forward. Further details have been set forth in the paragraphs headed "Revenue" and "Gross profit and gross profit margin" under the section headed "Financial Information — Description of Selected Combined Statement of Comprehensive Income Items" in this prospectus. Therefore, our Group's overall gross profit margin may drop if we are unable to improve the gross

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profit margin from the reduced average production cost under the economies of scale as a result of the expanding production activities in Project Ibam in the future. As such, the termination of the Cooperation Agreement may have a material adverse effect on our profitability and revenue growth which will in turn affect our business, results of operations and financial condition.

### **We have a limited operating history**

Pacific Mining entered into the Mining Agreement in respect of the Ibam Mine with Gema Impak and commenced prospecting activities in respect of the Ibam Mine in October 2009. Our limited operating history as a mining company could adversely affect our overall operating efficiency and ability to implement our business strategies. As our business operation expands, we may face challenges requiring changes to some of our existing operating procedures and could involve complications or delays. Comparing with other competitors in the iron ore mining industry having a longer operating history, we may be less experienced or equipped at dealing with these complications or delays. If we are unable to respond to such changes, complications or delays in a timely fashion or at all, our financial condition and results of operations may be adversely affected.

### **We are not the registered holder of the Mining Lease and may lose our right which is beyond our control**

The Mining Lease was issued to Gema Impak by the Director of Lands and Mines which is authorised to issue the Mining Lease pursuant to the Pahang Mineral Enactment 2001. We are therefore not the registered holder of the Mining Lease. After the Reorganisation, Pacific Mining holds 50% shareholding interest in Gema Impak as nominee for the Original Shareholders on a pro-rata basis. Our contractual right to mine iron ore is granted by Gema Impak pursuant to the Mining Agreement. We have been granted the full and exclusive right to explore, mine and extract iron ore at the Ibam Mine by Gema Impak and in return, we are obliged to pay to Gema Impak the Mining Fee of RM40 (equivalent to USD12.6) per tonne of iron ore products sold by us. We are therefore dependent on Gema Impak's ability to carry out the underlying Mining Lease and performing in good standing and complying with the terms and conditions contained in the Mining Lease, the Pahang Mineral Enactment 2001 and other relevant mining legislation(s).

During the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, we produced 17.1 Kt, 100.5 Kt and 178.8 Kt of iron ore products using iron ores mined from the Ibam Mine. Our revenue from sale of iron ore products produced by our Project Ibam represented nil, 49.4% and 35.7% of our Group's total revenue for the period from Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012.

The Mining Agreement is effective for the duration of the Mining Lease, which is approved by the Director of Lands and Mines. The current Mining Lease will expire on 15 December 2016. We cannot assure you that Gema Impak will comply with its contractual obligations or provide full cooperation or act or omit to act in a manner that will not frustrate the development of Project Ibam. Also, subject to compliance of certain statutory requirements, Gema Impak shall be granted a renewal of the Mining Lease. However, we cannot assure you that Gema Impak will be successful in renewing the Mining Lease beyond 2016 in a timely manner, or at all. If any terms or conditions attached to the

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Mining Agreement is breached, our business and operating results may be materially and adversely affected. Furthermore, as advised by Ben & Partners, in the event that Gema Impak is unable to renew the Mining Lease, Gema Impak shall cease to enjoy all the rights under the Mining Lease. Accordingly, our mining operation on Ibam Mine shall cease and our business and operating results may be materially and adversely affected.

Moreover, upon any default or non-performance of obligations on the part of Gema Impak, Pacific Mining may, pursuant to the Mining Agreement, claim for damages or seek the remedy of specific performance pursuant to the laws of Malaysia. However, in the event that monetary damages are elected, we cannot guarantee that Gema Impak will have sufficient financial resources to pay damages and our business, financial condition and results of operation may be materially and adversely affected. Gema Impak was also involved in timber business apart from mining business. We cannot guarantee that Gema Impak will conduct its other business(es) in a manner which complies with the relevant laws and regulations in all respects. In the event that Gema Impak is found liable for the conduct of its other business(es), the operation of Project Ibam may be materially and adversely affected.

In addition, we became the nominee holder of the 50% shareholding interest in Gema Impak for the Original Shareholders in March 2013. We are also entitled to the rights under the Protection Enhancement Arrangement in consideration of the Monthly Payment and pursuant thereto we shall be entitled to exercise the Voting Rights in relation to matters related solely to Project Ibam according to our own will. The Original Shareholders may terminate the Nominee Agreement and in the case that we cease to be the nominee holder and/or we lose the Voting Rights and/or our rights under the Protection Enhancement Arrangement for whatever reasons, we may not be able to enjoy the same level of protection as we currently have.

**Our stated iron ore reserves and mineralised potential are only estimates based on certain assumptions and we cannot assure you that the anticipated tonnages or grades will be achieved**

The following table sets forth an estimation of our Mineral Resources at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

Classification	Quantity (Mt)	Iron grade (%)
Measured	110	46.7
Indicated	—	—
Inferred	42	46.4
<b>Total</b>	<b>152</b>	<b>46.5</b>

*Source: Independent Technical Report*

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The following table sets forth an estimation of our Ore Reserves at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

Classification	Quantity (Mt)	Iron grade (%)
Proved	—	—
Probable	105	44.8
<b>Total</b>	<b>105</b>	<b>44.8</b>

Our ore reserves and mineralised potential described in this prospectus constitute estimates that comply with standard evaluation methods generally used in the international mining industry and are stated in accordance with the JORC Code. In respect of the data which complies with the JORC Code, we cannot assure you that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realised or that our ore reserves and mineralised potential can be mined or processed profitably or at all. Actual ore reserves and mineralised potential may not conform to geological, metallurgical or other expectations, and the volume and grade of iron ore recovered may be below the estimated levels. In addition, we cannot assure you that further on-site drilling or other exploratory work will result in the affirmation of previous estimates or that mineral recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions or during production. The estimated ore reserves and mineralised potential described in this prospectus should not be interpreted as a statement of the commercial viability, potential or profitability of any future operations. Lower market prices, increased production costs, reduced recovery rates and other factors may render our ore reserves and mineralised potential uneconomic to exploit and may result in revision of its ore reserves estimates from time to time. Ore reserve data are not indicative of future results of operations. If our actual ore reserves are less than current estimates or if we fail to develop our resource base through the realisation of identified or new mineralised potential, this could have a material adverse effect on our business, results of operations, financial condition and prospects.

### **We rely on a small number of major customers**

During the Track Record Period, we relied on our major customers for a significant portion of our revenue. Our five largest customers, taken together, accounted for 100.0%, 96.3% and 92.0% of our total revenue for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, respectively, with our largest customer accounting for 100.0%, 30.6% and 38.6% of our total revenue, respectively. As at the Latest Practicable Date, we did not enter into any long-term sales agreement with our customers. If any of our major customers significantly reduces its purchases of iron ore products from us, or if we are unable to sell iron ore products to any of them on favorable terms or at all, our business, financial condition and results of operations may be materially and adversely affected.



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### **We rely on contractors for mining and transportation**

As at the Latest Practicable Date, we have engaged our Mining Contractor to manage and carry out mining works and reclamation/rehabilitation works at the Ibam Mine; processing contractors to handle simple crushing and beneficiation works and the Transportation Contractors (i) to transport our iron ore products from the Ibam Mine to the Kuantan Warehouse; and (ii) to load the iron ore products at the Kuantan Port. Our operations are affected by the performance of our third-party contractors.

The following table sets out information about service fees to our contractors incurred during the Track Record Period:

<b>Type of contractor</b>	<b>The period from the Incorporation Date of 23 August 2010 to 31 December 2010 (USD million)</b>	<b>Year ended 31 December 2011 (USD million)</b>	<b>Year ended 31 December 2012 (USD million)</b>
Mining Contractor	—	0.2	0.5
Processing contractors	—	5.5	6.5
Transportation Contractor I ( <i>Note</i> )	0.1	0.1	1.0
Transportation Contractor II	—	0.8	1.0

*Note:* The service fee paid to the Transportation Contractor I for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 was incurred in respect of the preparatory work prior to the operation of the Ibam Mine.

We cannot guarantee that we will be able to control at all times the quality, safety and environmental standards of the work performed by third-party contractors and we cannot assure you that our third-party contractors will comply with the standards required by the relevant Malaysian laws and regulations. Any failure by these third-party contractors to meet our quality, safety, environmental standards and regulatory standards may result in liabilities to third parties and have a material adverse effect on our business, results of operations, financial condition and reputation. Any under-performance or non-performance by these third-party contractors could also affect our compliance with government rules and regulations relating to exploration, mining and workers' safety. Moreover, any failure by us to retain our third-party contractors or seek replacements on favorable terms or at all may have a material adverse effect on our business and results of operations.

### **We do not enter into long-term contracts with most of our suppliers and contractors**

Our major suppliers include suppliers of iron ores, machinery and equipment, spare parts, diesel fuel, and other production-related materials and we engage contractors for mining and transportation. For details of the role of our contractors, please refer to the section headed "Business — Our Production Operations And Facilities — Use of contractors" of this prospectus. Save for the fixed-term contract with the diesel generator supplier which are subject to renewal, the Mining

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Sub-contract entered into with the Mining Contractor and the fixed-term contract with the Transportation Contractor I, we have not signed any fixed or long-term contract with any of our suppliers or contractors as our Directors are of the opinion that we have had good and stable business relationship with our top five suppliers and our contractors. However, upon expiration or termination of the relevant contracts, (i) there is no assurance that any of our suppliers or contractors will continue to provide their respective services to us; and (ii) the terms of services provided by the suppliers or contractors may also be susceptible to changes with regard to pricing, timing and quality. In the event of termination of or changes to the current arrangements with our suppliers or contractors for any reason, our Group may not be able to locate comparable alternative suppliers or contractors that could provide the relevant services in a timely manner and/or on commercially acceptable terms. This could adversely affect our Group's business operations and financial results.

### **Our plan to acquire additional mineral reserves may not succeed**

We may expand our mineral reserves by acquiring additional mining assets. According to our future plan, HK\$95.0 million of net proceeds from the Global Offering shall be used for acquisitions of companies with existing exploration rights and additional mining assets in Malaysia. Please refer to the sections headed "Business — Our Business Strategies — Further exploration at the Ibam Mine and increase our Ore Reserves through acquisition" and "Future Plans and Use of Proceeds" in this prospectus for further details. However, we may encounter intense competition from other companies seeking to acquire the same assets and we may fail to select or value targets appropriately.

If a project proves not to be economically feasible by the time we are able to exploit it, we may incur substantial losses or write-offs. In addition, potential changes or complications involving metallurgical and other technological processes arising during the life of a project may result in cost overruns that may render the project not economically feasible. We also face risks in relation to changes to applicable laws and regulations, compliance with which may make extracting the ore more expensive than we had previously estimated. Further, even if our expansion plans are successful, we may have to allocate additional capital and human resources to integrate any acquired businesses. We therefore cannot assure you that new mineral reserves will be successfully developed or integrated within our existing operations at a reasonable cost within a reasonable period of time or at all or that they will generate the expected economic returns. If our expansion plans are delayed or they fail to deliver the expected economic benefits, we would not be able to sustain our current level of production beyond the remaining life of our existing mines, and our business, financial condition and results of operations would be materially and adversely affected. As of the Latest Practicable Date, we have not entered into any agreement, nor do we have any definite plans, in relation to any potential acquisition of iron ore reserves.

### **Our business expansion plan is subject to approval for alternation of the Mining Lease by the relevant government authority and submission of the modified operational mining scheme**

An integral part of our business strategy is to expand our business by increasing our mining, crushing and beneficiation capacities. Our expansion plan for Project Ibam is subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation.

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In the event we have not applied for an alteration from small scale operation to large scale operation and in view of the expectation that our mining operation will exceed the threshold for small scale operation, it will constitute a breach of terms in the Mining Lease which specifically provides that mining operation shall be conducted on small scale basis. In consequence thereto, the Ibam Mine in respect of which the Mining Lease has been granted may be liable for forfeiture by the State Authority of Pahang.

If the State Authority of Pahang is satisfied that the circumstances do not justify a forfeiture, it may in its discretion, make an order for payment of a fine not exceeding RM250,000 within a specific time or issue a notice specifying the remedial action to be taken. Notwithstanding this, if the notice is not complied with, the State Authority of Pahang shall make an order declaring the Ibam Mine in respect of which the Mining Lease has been granted forfeited to the State Authority of Pahang and Gema Impak shall surrender the document of the Mining Lease to the Director of Lands and Mines. Such forfeiture has the following effect:

- (i) Ibam Mine in respect of which the Mining Lease has been granted shall revert to, and vest in, the State Authority of Pahang as State land, freed and discharged from any title or interest subsisting or capable of arising immediately before the forfeiture took effect;
- (ii) there shall also vest in the State Authority of Pahang any building then existing on the Ibam Mine other than any of temporary construction and capable of removal; and
- (iii) any rent due to the State Authority of Pahang in respect of the Ibam Mine shall be extinguished.

Our Group's business operations and financial results could therefore be adversely affected. For details of our expansion plan, please refer to the section headed "Business — Expansion Plan and Capital Expenditure" in this prospectus.

### **Our business expansion plan may not achieve the intended economic benefit**

Our expansion plan for Project Ibam focuses primarily on increasing our mining, crushing and beneficiation capacities. Moreover, we may not be able to successfully implement our expansion plan, which may be delayed or adversely affected by numerous factors, including the failure to obtain necessary regulatory approvals, technical difficulties, and the lack of experienced technicians or other resource constraints, which may divert resources and management attention from our other business activities. In addition, the costs of our expansion plans may exceed our planned investment budget. As a consequence of delays, cost overruns, changes in market circumstances or other factors, the intended economic benefits from these expansion plans may not materialise and our business, financial condition and results of operations may be materially and adversely affected.

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### **We may not be able to finance our future planned capital expenditure**

The mining business, particularly iron ore, is capital intensive due to the bulk nature of the commodity and the need, in our case, for beneficiation techniques to upgrade iron content. The exploration of Ore Reserves and Mineral Resources also require substantial capital expenditure. Our business strategy involves increasing mining, crushing and beneficiation capacities which involve significant capital expenditure. Furthermore, we must continue to invest significant capital to maintain or increase its levels of Ore Reserves and Mineral Resources and amount of iron ore that we produce. Some of our expansion plans may require greater investment than currently anticipated. We cannot assure you that we will be able to achieve our target production levels and generate sufficient cash flow, or that we will have access to sufficient investments, loans or other financing alternatives on commercially satisfactory terms, or at all, to enable us to continue our mining, crushing and beneficiation activities at or above present levels. If we are unable to raise financing when needed, we will have to reduce our planned capital expenditure. Any such reduction could adversely affect our ability to carry out mineral mining, crushing and beneficiation activities and to continue our operations. As a consequence, our business, financial condition and results of operations may be materially and adversely affected.

### **Our failure or inability to obtain, retain and renew required governmental approvals, permits and licences for our exploration and mining activities could materially and adversely affect our business, financial condition and results of operation**

We are required under applicable laws and regulations to seek governmental approvals, permits and licences, including those in connection with the operation, production, export as well as exploration and development activities in respect of our mining activities. As at the Latest Practicable Date, all necessary licences, permits and approvals relevant for our operation in Malaysia as set forth in this prospectus had been obtained. The validity period of such licences, permits and approvals ranges from approximately six months to one year. Please refer to the section headed “Business — The Ibam Mine — Licences and permits” in this prospectus for further details. Renewal applications have been made in respect of permits and licences which will expire in near future and we have not encountered any instances of failure in renewal as at the Latest Practicable Date.

Obtaining, retaining, renewing or altering the terms of the necessary governmental approvals, permits and licences can be a complex and time-consuming process and may involve substantial costs or the imposition of unfavourable conditions. There can be considerable delay in obtaining the necessary permits and other authorisations and in certain cases the relevant government agency may be unable to issue or alter the terms of an approval, permit, licence or other authorisation which is required in good time. The duration and success of approval, permit and licence applications are contingent on many factors that are beyond our control. There is no assurance that we will be able to renew our approvals, permits and licences upon their expiration. In addition, eligibility criteria for these approvals, permits and licences may change from time to time and additional approvals, permits and licences may be required and more stringent compliance standard may have to be observed. Failure to obtain or renew such approvals, permits and licences as planned may cause delay in our production or expansion plan, thereby adversely affecting our business, financial condition and results of operation. Introduction of any new laws and regulations or changes in the interpretation of any

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existing laws and regulations may escalate the compliance cost for us, or prohibit our Group from, or result in our Group having to incur more costs to continue with, the operation of our business. Upon occurrence of such events, our operations may have to be restricted and our profitability would be adversely affected. Further, there were incidences of historical non-compliance during the Track Record Period. Please refer to the paragraph headed “Our historical non-compliance may expose us to penalties” of this section below and the section headed “Business — Regulatory Compliance” of this prospectus for further details.

### **Our historical non-compliance may expose us to financial loss as a result of fines which may be imposed on us and may expose our directors or relevant officers to imprisonment**

We previously did not comply with certain statutory requirements under the Malaysian laws, including diesel storage without a valid permit and installation and operation of machineries without a valid approval. For details of such historical non-compliance incidents, please refer to the section headed “Business — Regulatory Compliance”. As a result of these non-compliance incidents, we may be exposed to financial loss as a result of fines which may be imposed on us and our directors or relevant officers may be exposed to imprisonment. The financial loss arising from the imposition of fines and the imprisonment of directors or relevant officers may result in delay to or expose us to higher costs in respect of our ongoing operations and the development of our current project and expansion plan and could have an adverse effect on our business, results of operations, financial condition and prospects. Set forth below are the details of the potential consequences of these non-compliance incidents.

(i) *Storing of diesel at the Ibam Mine prior to 5 June 2012 without a valid scheduled controlled item permit*

Our failure to apply for a scheduled controlled item permit since the commencement of diesel storage on the Ibam Mine and prior to 5 June 2012 is an offence pursuant to section 21 of the Control of Supplies Act 1961. As advised by Ben & Partners, upon enquiry with the relevant authority, the enforcement authority will not normally proceed to prosecute or fine Capture Advance and/or its directors or officers for its previous failure to apply for the permit as long as Capture Advance is currently holding a valid scheduled controlled item permit. However, if Capture Advance is convicted for any reasons, it shall be liable to a fine not exceeding RM250,000 (equivalent to USD78,691) and for subsequent offence, to a fine not exceeding RM500,000 (equivalent to USD157,381). The directors or officers of Capture Advance shall on conviction be liable to a fine not exceeding RM100,000 (equivalent to USD31,476) or to imprisonment for a term not exceeding three years or to both, for a second or subsequent offence, to a fine not exceeding RM250,000 (equivalent to USD78,691) or to imprisonment for a term not exceeding five years or to both unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission.

(ii) *Failure to furnish details of all the machineries installed and operated at the Ibam Mine to the Pahang Department of Occupational Safety And Health*

All machineries are legally allowed to be operated on a site upon the written approval to install and one month after the applicant submits the Notice of First Occupation of a Factory to the Pahang Department of Occupational Safety and Health. As advised by Ben & Partners, upon enquiry with the

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relevant authority, the Pahang Department of Occupational Safety and Health does not normally proceed to prosecute or fine operator of the machineries who has commenced installation and operation of the machineries before submitting the details of machineries to the Pahang Department of Occupational Safety and Health. However, should any accident happen on the premises/factory/any place where machinery is being operated without the approval of the Pahang Department of Occupational Safety and Health, such operator of the machineries will be prosecuted or fined under the Factories and Machinery Act 1967 and be liable to a fine not exceeding RM100,000 (equivalent to USD31,476) or to imprisonment for a term not exceeding two years or to both.

We have submitted the relevant applications to the Pahang Department of Occupational Safety And Health for installation of machineries currently operated on the Ibam Mine in May 2012 and have obtained the written approval to install machineries on 7 November 2012.

**Our operations are subject to extensive government laws and regulations that could cause us to incur costs and changes in these laws and regulations may materially and adversely affect our business and operating results**

Our operations, including the works performed by our Independent Third Party contractors, are subject to extensive government regulations, including environmental, health and safety laws and regulations. These laws and regulations set various standards regulating certain aspects of safety controls, health and environmental quality, including waste treatment, emissions and disposals of waste. They provide for penalties and other liabilities for violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted. For further details regarding laws and regulations, please refer to the section headed “Regulations and JORC Code” in this prospectus. Any failure on our part to comply with environmental, health and safety laws and regulations with respect to our operations could result in the imposition of significant liabilities for damages, remedial costs or penalties or the suspension of our right to operate where there is any evidence of serious breach. The liability for such costs or any disruptions in operations could materially and adversely affect our business and operating results.

Also, if the Malaysian government or relevant regulatory body changes its current policies, regulations, standards and requirements or the interpretation thereof, especially those that are currently favourable to us, this would cause disruptions to our operations, increase in our operating costs and significant constraints on the flexibility and ability to expand our business operations or to maximise our profitability. If any of our future projects are not approved by the relevant authorities, or are not approved on a timely basis, our business and operating results could be materially and adversely affected.

In addition, the introduction of new policies, legislation or amendments to existing policies or legislation, or changes in the interpretation thereof, in Malaysia and, or in Hong Kong could materially and adversely affect our business and operating results.

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### **We had experienced net current liability position in our business operations**

We had year-end net current liability of USD25.9 million, USD24.5 million and USD5.2 million as at 31 December 2010, 2011 and 2012, respectively, primarily because we were in the development stage of Project Ibam and we relied on advances/loans from a related party, Chengdu Hande, to finance our capital expenditure during the Track Record Period. Our net current liabilities as at 31 December 2012 was improved and dropped to USD5.2 million, mainly due to (i) our Group and Chengdu Hande agreed upon a debt restructuring arrangement on 6 August 2012, pursuant to which Chengdu Hande unconditionally released and discharged our liability and obligation in respect of debts in full, amounting to USD13.1 million as at 31 July 2012; and (ii) we have fully settled the remaining consideration payables in respect of the acquisition of the final 30% equity interest in Pacific Mining of USD4.5 million, out of the total consideration payables of USD5.5 million, in December 2012. A net current liability position may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions. We cannot assure you that we will be able to record net current assets in the future and our business operations may be adversely affected by our net current liability position.

### **If we are unable to attract, retain and train key personnel, our business and results of operations could be materially and adversely affected**

Our business depends in significant part upon its ability to attract and retain highly skilled and qualified personnel, in particular our Directors and members of the senior management team. The key management personnel who are crucial to our operation and constituting our core technical team comprises three executive Directors, namely, Messrs. Gong Maoqing, Wang Er, Dong Jie, and three senior management members, namely Messrs. Yan Xiaodong, Diao Dalin and Wang Zeping. For a detailed description of the qualifications of our Directors and members of the senior management team, please see the section headed “Directors, Senior Management and Staff” in this prospectus. The factors critical to both retaining our present staff and attracting additional highly qualified personnel include our ability to provide these individuals with competitive compensation arrangements. We are not certain whether the services of our key personnel will continue to be available or that labour costs in the mining industry will increase significantly. If we are unsuccessful in retaining or attracting highly qualified individuals in key management positions at satisfactory rates or at all, this could result in delays to or higher costs in respect of our ongoing operations and the development of our current or future projects and could have a material adverse effect on our business, results of operations, financial condition and prospects.

### **Our insurance coverage may be insufficient to cover our business risks**

We face various operational risks in connection with our business. However, we are not insured against certain risks. For example, in accordance with what we believe is the customary practice for Malaysia iron ore mining operators, we have not obtained any insurance policies in respect of our business operations and we do not maintain any business interruption insurance or third party liability insurance against claims for property damage, personal injury and environmental liabilities. Any losses and liabilities for which we are not insured may have a material adverse effect on our business, financial condition and results of operations.

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We cannot assure you that the safety measures we have in place for our operations will be sufficient to mitigate or reduce industrial accidents. We also cannot assure you that casualties or accidents will not occur. In the event that we incur substantial losses or liabilities and our insurance, if any, does not cover such losses or liabilities adequately or at all, our business, financial condition and results of operations may be materially and adversely affected.

### **We may not be able to maintain an adequate and timely supply of our production input, such as electricity and water**

Water is a key component of our iron ore beneficiation process. We source our water from local streams, natural runoff and pumping from a retention pond in the Ibam Mine area. However, any climate change that results in unstable or reduced rainfall or any other event that causes a shortage of water supplies may force us to limit or delay our production.

As at the Latest Practicable Date, we generate electricity from five on-site diesel generators, one of which is leased from an Independent Third Party and four of which are owned by us. Our total costs for leasing of generators and diesel amounted to nil, USD0.6 million and USD1.9 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, respectively, accounting for nil, 3.1% and 5.9% of our cost of sales.

We require access to reliable power sources and water supplies to conduct our operations. Any disruption in our electricity or water supply could materially and adversely affect our financial condition and results of operations. If our existing electricity or water supply ceases and we cannot find alternative sources of electricity or water at a sufficiently competitive price, or at all, or if we cannot find alternative sources of these supplies within a reasonable time at a reasonable cost, or at all, our business, financial condition and results of operations may be materially and adversely affected.

### **Severe weather conditions could materially and adversely affect our mining operations**

Malaysia is located in a tropical region and rainfall occurs throughout the year. Rainy season for the east coast of Malaysia extends from November in the current year to January in the next year. Pahang State has an annual average rainfall of 1,800 mm, with the highest rainfall of up to 2,500 mm in December. Severe weather conditions could disrupt our operations, including the delivery of supplies, equipment and fuel. It is, therefore, possible that mining and processing activity levels may decrease or cease as a result of meteorological factors. Any disruptions to the operations at the Ibam Mine caused by severe weather condition could materially and adversely affect our business and operating results. Based on our experience, in general, the average processing activity levels at the Ibam Mine decreased by 70% during January and February of a year compared to the monthly average rate.



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### **Our business operation is concentrated on a mining site and our business depends on reliable and adequate transportation capacity for our products**

We mine iron ore from the Ibam Mine to produce iron ore products. If any natural disasters, accidents or interruptions by war, riot, fire, earthquake, epidemic and other events beyond our control affect the road transportation networks in the region and/or our business operation, our ability to produce and deliver our products to our customers would be adversely affected and in turn, our business, financial condition and results of operation could be materially and adversely affected.

Iron ore and iron-ore related products are bulky, heavy and difficult to transport in large quantities required by downstream users. Transportation costs are therefore generally a component of the cost of purchase for our customers. Fluctuations in transportation costs may have detrimental effect on the demand for our products. Our expansion plan and associated higher sales volume will increase demand on the road transport networks near the Ibam Mine and those networks may be inadequate to handle our increased sales volume. Transportation may also be disrupted by a number of factors such as traffic accidents, rainstorm and landslide. If transportation to and from the mine or processing facilities is reduced or cut off entirely for a long period of time, we may lose our customers and also be in breach of any existing sales contracts and our business, financial condition and results of operations may be materially and adversely affected.

### **Our Mining Contractor depends on foreign workers**

In line with the industry practice, we subcontract our mining works to professional contractors. As at the Latest Practicable Date, to the best knowledge of our Directors, the Mining Contractor hired almost all of its workers from various neighbouring countries, including Indonesia and Myanmar.

Section 5 of the Malaysian Employment (Restriction) Act 1968 prohibits a person from employing a non-citizen in Malaysia unless a valid employment permit has been obtained for that person. The employment of foreign workers is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions, amongst other things, on the number, positions, duration of employment and the sources or country of origin of the foreign workers. Upon obtaining approval from the Ministry of Home Affairs Malaysia, it is required to submit application for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) can be revoked if its conditions are contravened. As such, any changes in regulations and policies in Malaysia to reduce the number of foreign workers permissible to be employed by our Mining Contractor or reduce the duration of employment permit or restriction of foreign workers from certain country of origin or an increase in the levy may adversely affect the operations and profitability of our Mining Contractor and in turn, our operations and profitability may be adversely affected.

### **Our operations are exposed to safety risks and the occurrence of industrial accidents**

Our operations are carried out under potentially hazardous conditions. Liabilities might arise in the future as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond our control, though as at the Latest Practicable Date, to the best knowledge of our Directors, there had been no reported accidents, fatalities or other workforce-related misfortunes

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## RISK FACTORS

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attributed to our operation. Any such events could lead to significant expenditure by us in respect of compensation claims or payments, and insurance may be unavailable or prohibitively expensive. The occurrence of accidents could delay production, increase production costs and result in liability and adverse publicity for us. These factors could have a material adverse effect on our business, results of operations, financial condition and prospects.

### **RISKS RELATING TO CONDUCTING OPERATIONS IN MALAYSIA**

#### **Political, economical and legal developments, as well as any changes in the Malaysian government policies, could materially and adversely affect our business and operating results**

A large extent of our operating assets are located in Malaysia. Therefore, our operating results, financial position and prospects are significantly exposed to the economic, political and legal developments in Malaysia. We cannot assure you that the Malaysian government will maintain or continue to pursue economic and political reforms. Specifically, our business and operating results could be materially and adversely affected by changes in Malaysian government regulations concerning restrictions on production, price controls, export controls, taxation, ownership and expropriation of property, environmental or mine health and safety.

In addition, our business and operating results could be materially and adversely affected by: (i) imposition of additional restrictions on currency conversion and remittances abroad; (ii) reduction in tariff or quota protection and other import restrictions; (iii) Malaysian laws, regulations and policies affecting the mineral industry; (iv) industrial disruptions; or (v) economic growth or slowdown.

#### **Change in export policy and export duty for iron ore products in Malaysia could materially and adversely affect our business and operation results**

Certain Asian countries such as India and Vietnam have raised duties on iron ore exports in order to preserve raw material for domestic use in late 2011 and early 2012, respectively. We cannot assure you that the Malaysian government will maintain its current export policy on iron ore products. If the Malaysian government tightens export control and imposes export duty on iron ore export or ban export of iron ore products to foreign countries, our iron ore products will become less competitive and our business, results of operations, financial condition and prospects will be materially and adversely affected.

#### **The Malaysian Ringgit may be subject to foreign exchange controls imposed by the Malaysian government in the future**

Historically, the BNM has intervened in the foreign exchange market to stabilise the Malaysian Ringgit (RM) and has, since 2 September 1998, maintained a fixed exchange rate of RM3.80 to USD1.00 (equivalent to HK\$7.8). On 21 July 2005, BNM announced that the exchange rate of the RM will be allowed to operate in a managed float, with its value being determined by various economic factors. BNM had stated that it would monitor the RM foreign exchange rate against a currency basket to ensure that the exchange rate remains close to its fair value. However, we cannot assure you that BNM or the Malaysian government will, or would be able to, intervene or maintain the exchange rate in the future or that any such intervention or fixing of the exchange rate would be effective.

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## RISK FACTORS

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Furthermore, we cannot assure you that the Malaysian government will not impose more restrictive or additional foreign exchange controls. Any imposition, variation or removal of exchange controls may lead to less independence in the Malaysian government's conduct of its domestic monetary policy and increased exposure of the Malaysian economy to the potential risks and vulnerability of external developments in the international markets. Consequently, this may adversely affect our ability as the shareholder of Pacific Mining and Capture Advance to liquidate the shares in Pacific Mining and Capture Advance or repatriate the proceeds from the liquidation of such shares out of Malaysia.

**Restrictions on foreign investment in the Malaysian mineral industry could materially and adversely affect our business and operating results**

Pursuant to Malaysia's current National Mineral Policy, to encourage exploration and a beneficial expansion of the mineral industry in Malaysia, the Malaysian government currently permits foreign entities exploring minerals in Malaysia to do so on a 100% foreign held equity basis and for project which involve the extraction, mining or processing of mineral ores, initial majority foreign equity participation of up to 100% may be permitted. Our subsidiaries, Pacific Mining and Capture Advance, are permitted under the current National Mineral Policy to explore, mine and extract minerals in Malaysia. We cannot assure you that the National Mineral Policy will not be changed or modified in any way in future. Any restriction on foreign investment in the Malaysian mining or mineral industry in future could materially and adversely affect our business and results of operations.

**We, as the shareholder of Pacific Mining and Capture Advance, may not be accorded the same rights and protection under the company law of Malaysia that would be accorded under the Companies Ordinance, and it could be difficult to enforce a Hong Kong judgement against our Malaysian subsidiaries, our executive Directors and our executive officers**

Our principal subsidiaries, Pacific Mining and Capture Advance, are incorporated in Malaysia. Furthermore, our main mining assets are located in Malaysia. Our principal subsidiaries and main mining assets are therefore subject to the relevant laws in Malaysia. Laws applicable to companies incorporated in Hong Kong and those applicable to companies incorporated in Malaysia are similar, in the sense that both are subject to statutory provisions of company law and supplemented by common law and the rules of equity. Most of the material aspects of the company law regarding investors' protection are understood by our Company to be similar as between Hong Kong and Malaysia. However, it is possible that now or in the future, the Companies Ordinance may provide Shareholders with certain rights and protection of which there may be no corresponding or similar provisions under the Malaysian laws. As such, we, as the shareholder of Pacific Mining and Capture Advance may not be accorded the same level of shareholder rights and protection under the company law of Malaysia as that accorded under the Companies Ordinance. In addition, all our executive Directors and most of the senior managers are non-residents of Hong Kong, and substantially all the assets of these persons are located outside Hong Kong. As a result, it could be difficult for our Shareholders to effect service of process in Hong Kong, or to enforce a judgment obtained in Hong Kong against our Malaysian subsidiaries or any of these persons.

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## RISK FACTORS

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### RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our Shares, and the liquidity, market price and trading volume of our Shares may be volatile**

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares will be determined based on negotiations between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, and may differ from the market prices for our Shares after the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares. However, there is no assurance that the Global Offering will result in the development of an active and liquid public trading market for our Shares. The market price, liquidity and trading volume of our Shares may be volatile. We cannot assure you that Shareholders will be able to sell their Shares or achieve their desired price. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Global Offering. Factors that may affect the volume and price at which our Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments and changes in laws and regulations in Malaysia. We cannot assure you that these developments will not occur in the future.

**Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future**

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Substantial Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favourable to us, and our Shareholders would experience dilution in their holdings upon issuance or sale of additional securities in the future.

### RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

**The resource and reserve data cited in this prospectus are estimates and may be inaccurate**

We base our production, expenditure and revenue plans on our resource and reserve data. The resource and reserve data are estimates based on the results of mineral exploration and have been reviewed and verified by the Independent Technical Adviser. Resource and reserve estimates involve professional judgment based on factors such as technical data, experience and industry practice. The accuracy of these estimates may be affected by many factors, including the quality of the results of exploration, drilling and sampling of the ore, as well as the quality of the analysis of ore samples and estimation procedures, and the experience of the persons making the estimates. There are also many assumptions and variables beyond our control that result in inherent uncertainties in the estimation of reserves. As a result, the resource and reserve data set forth in this prospectus are only estimates and our actual volume of resources and reserves and rates of production may differ materially from these estimates.

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## RISK FACTORS

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Estimates of our resources and reserves may change significantly when new information becomes available or new factors arise to change the assumptions underlying the resource and reserve estimates. In addition, resource and reserve estimates do not provide an analysis as to whether such resources are capable of being mined or whether they can be processed economically and do not incorporate mining dilution or allowance for mining losses. The reserve estimates contained in this prospectus represent the amount of reserves that we believe can be mined and processed economically. In the future we may need to revise our reserve estimates, if, for instance, our production costs increase or the prices of our products decrease and render a portion or all of our reserves uneconomical to recover and sell. A revision of our reserve estimates may result in the lowering of our estimated reserves as well as the expected mining life of our mine.

Fluctuations in the prices of our products, production costs and transportation costs, variations in recovery rates and unforeseen geological or geotechnical perils may require us to revise our resource and reserve data. If such revisions result in a substantial reduction in recoverable reserves at one or more of our mines, our business, financial condition and results of operations may be materially and adversely affected.

**Certain facts and other statistics in this prospectus are derived from various official government sources and may not be reliable**

Certain facts and other statistics in this prospectus relating to Malaysia, the PRC economy and the global and PRC iron and steel industries and related markets have been derived from various official government publications. We believe that these publications are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Global Coordinator, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Malaysia. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies or in other markets and should not be unduly relied upon. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

### I. MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. However, our Company will not be able to satisfy the requirement under Rule 8.12 of the Listing Rules as we do not have, or expect to have in the near future, business operations in Hong Kong. It would, therefore, be unduly burdensome and impracticable for our Company to have two executive directors ordinarily resident in Hong Kong. Save that Mr. Kong Chi Mo, our independent non-executive Director who is a Hong Kong resident, all the other Directors are not Hong Kong residents or based in Hong Kong. Our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong.

On the basis that our core business operations are based, managed and conducted in Malaysia and it will be unduly burdensome and impracticable for our Company to have two executive directors ordinarily resident in Hong Kong, we have applied to, and we have received from the Stock Exchange a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Mr. Chu Lok Fung Barry, our company secretary, who is ordinarily resident in Hong Kong, and Mr. Li, our executive Director as our two authorised representatives. Each of the authorised representatives possesses valid travel documents and is able to renew such travel documents upon expiry in order to meet with the Stock Exchange within a reasonable period of time upon request and will be readily contactable by telephone or email. Each of the authorised representatives is authorised to communicate on our behalf with the Stock Exchange;
- (b) both of our authorised representatives will have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters;
- (c) we shall promptly inform the Stock Exchange of any changes on the authorised representatives;
- (d) all Directors (including the independent non-executive Directors) possess or will apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required;
- (e) we will appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will act as our additional channel of communication with the Stock Exchange in accordance with the requirements of the Listing Rules; and

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (f) each Director will provide their respective mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange.

### II. WAIVER PURSUANT TO RULES 8.05 AND 18.04 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rule 18.04 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may be dispensed with if the Stock Exchange is satisfied that the directors and senior management members of the issuer relied on by the issuer in respect of our mining activities, taken together, have sufficient experience of at least five years relevant to the exploration and/or extraction activities the issuer is pursuing.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the profit requirements under Rule 8.05(1)(a) of the Listing Rules in accordance with the reasoning under Rule 18.04 of the Listing Rules, on the following grounds:

#### (a) We are a Mineral Company within the meaning of Rule 18.01

We are a Mineral Company within the meaning of Rule 18.01 as our major activity, conducted through our primary operating subsidiary, Capture Advance, is and will be the extraction of natural resources at our flagship operation, the Ibam Mine. The Ibam Mine is an open-pit mine for iron ores located in the State of Pahang, Malaysia. Our primary activity includes iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines.

The detailed analysis and commentary on our projected sales and trading are as follows:

- (1) During the Track Record Period, the percentage of revenue from each of Project Ibam, Project Esperance and our Group's trading activities of iron ore products to our total revenue is as follows:-

	For the period from the Incorporation Date of 23 August 2010 to 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012
<b>Project Ibam</b>			
- Sales of iron ore products	—	49.4%	35.7%
<b>Project Esperance</b>			
- Sales of iron ore products	—	2.9%	26.0%
- Rendering of services	—	1.0%	8.0%
<b>Trading</b>	100%	46.7%	30.3%
<b>Total</b>	100%	100%	100%

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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (2) Our management estimates that the revenue from the sales of iron ore products from Project Ibam will contribute to a majority of our total revenue in 2013 and revenue from the trading business will continue to represent a smaller proportion of our total revenue going forward.
- (3) According to our expansion plan and with intensive capital investment in the Ibam Mine, our Directors expect that revenue generated from our Group's exploration and/or extraction activities of iron ores in Project Ibam will continue to be the principal role and dominant trend for the year ending 31 December 2013 and onwards.

**(b) We have the right to actively participate in Project Ibam and can satisfy the requirements of Rule 18.03(1)**

Gema Impak is the registered holder of the Mining Lease, under which Gema Impak has been granted the right to extract and mine iron ores on the Ibam Mine subject to terms and conditions as stipulated therein. On 26 October 2009, Gema Impak and Pacific Mining, an indirectly wholly-owned subsidiary of our Company, entered into the Mining Agreement, pursuant to which Gema Impak appointed Pacific Mining to carry out mining of iron ore at the Ibam Mine with full and exclusive authority subject to the terms and conditions of the Mining Agreement. Under the Mining Agreement, Pacific Mining is allowed free of any conditions to appoint any third parties to carry out the mining works on its behalf, and the right to extract the iron ore from the Ibam Mine shall be exclusive to Pacific Mining and shall not be granted by Gema Impak to any other parties.

All necessary licences, permits and approvals relevant for our operation in Malaysia as set forth in the Prospectus had been obtained. Please refer to the section headed "Business — The Ibam Mine — Licences and permits" in this prospectus for further details.

**(c) We have a portfolio of Contingent Resources in Ibam Mine and can satisfy the requirements of Rule 18.03(2)**

The mine life of the Ibam Mine is expected to be longer than 27 years on the basis that a 10% combined dilution and loss of ore tonnage from the total estimated resource of 152 Mt is allowed and a total ore mining tonnage of 5 Mt a year (the planned mining volume to be achieved by the end of 2015 excluding quantity of stripping rock) is used. Please refer to the section headed "Business — The Ibam Mine — Mineral Resources, Ore Reserves and iron ore properties" in this prospectus for further details.

**(d) We have commenced production and have complied with disclosure requirement under Rule 18.03(3)**

Rule 18.03(3) provides that, if a Mineral Company has commenced production, it must provide an estimate of cash operating costs including certain specified costs. We commenced production and will be able to comply with such disclosure requirement. For further details please refer to the "Financial Information" section in this prospectus for further details.



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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (e) **We have demonstrated that we have available working capital for 125% of our Group's present requirements for at least the next 12 months under Rule 18.03(4)**

Taking into account the financial resources available to our Group, including the internally generated funds, and the estimated net proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have sufficient working capital to meet 125% of our present requirements, that is, at least the next 12 months from the date of this prospectus. Please refer to the section headed "Financial Information" in the prospectus for further details.

- (f) **Our management team can satisfy the relevant industry experience requirement under Rule 18.04**

Our Group has a management team consisting of executive directors and senior management with significant experience in mining industry. Each individual of our core technical team (which consists of three executive Directors, Mr. Gong Maoqing, Mr. Wang Er and Mr. Dong Jie, and three senior management members, Mr. Yan Xiaodong, Mr. Diao Dalin and Mr. Wang Zeping) has approximately 23 to 40 years of relevant industry experience. In particular, Mr. Gong Maoqing, Mr. Wang Er, Mr. Dong Jie, Mr. Yan Xiaodong, Mr. Diao Dalin and Mr. Wang Zeping have approximately 40, 29, 29, 28, 23 and 31 years of experience in the exploration and mining industry, respectively. Please refer to the section headed "Directors, Senior Management and Staff" of this prospectus for further details of the relevant industry experience of our Directors and senior management.

- (g) **We have made sufficient disclosure for informed investment decision**

We are of the view that, for investors who invest in early stage of natural resources exploration and/or extraction companies, it is common that they make their investment decision based on the mineral resources and ore reserves of the companies, the mining plan for commercial production and the competency of the management team to carry out the plan so as to assess the investment risk and the potential for return on investment. The current requirements under Chapter 18 of the Listing Rules are designed to distinguish mineral companies engaging in natural resources exploration and/or extraction business from other companies and to provide potential investors in such mineral companies with sufficient relevant information in making their investment decisions. We are also of the view that the relevant disclosure requirement in respect of, among other things, information of the Ibam Mine and its expansion plans, has been satisfied by (i) the inclusion of the technical report/opinion prepared by Geos Mining, an independent competent person (as defined under Rule 18.01(3) of the Listing Rules), and (ii) the experience of the members of the management team such that the investors are given sufficient material information about our Group before making their investment decisions.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriter pursuant to the International Underwriting Agreement and are subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, please refer to “Underwriting” in this prospectus.

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of our Company's or their respective directors, agents, employees or advisors or any other parties involved in the Global Offering. Further information on the structure of the Global Offering, including its conditions, is set forth in “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DETERMINATION OF THE OFFER PRICE**

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Wednesday, 26 June 2013, the Global Offering will not become unconditional and will lapse.

### **RESTRICTIONS ON SALE OF OFFER SHARES**

Each person acquiring the Offer Shares under the Global Offering will be required to, or be deemed by his/her/its subscription for Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit an offering of the Offer Shares or the distribution of this prospectus or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution in this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities an exemption therefrom.

### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares in issue and the Offer Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option to be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

### **HONG KONG BRANCH REGISTER AND STAMP DUTY**

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offer will be registered on our Company's branch register of members to be maintained in Hong Kong. The Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase or holding of, or dealing in the Offer Shares.

### **STABILISATION AND OVER-ALLOTMENT OPTION**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilizing manager, or its affiliates or any person acting for it, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Global Coordinator, its affiliates or any person acting for it to do this. Such stabilisation, if commenced, will be conducted at the absolute discretion of the Sole Global Coordinator, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the International Placing, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 56,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Further details of the Over-allotment Option and stabilisation are set out in “Structure of the Global Offering — Over-allotment Option” and “Structure of the Global Offering — Stabilisation” in this prospectus.

### **PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES**

The procedure for applying for Hong Kong Offer Shares is set out in “How to Apply for Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company’s compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading date after the trade date. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Li Yang (李楊先生) (Chairman and Chief Executive Officer)	No. 10, Lorong 1M 1018 Bukit Istana 25200 Kuantan Pahang Malaysia	Chinese
Ms. Li Xiaolan (李曉蘭女士)	Flat 7-2-2103 Ou Cheng No. 7 Tong Zi Lin Nan Road Wu Hou District Chengdu Sichuan Province PRC	Chinese
Mr. Wang Er (王爾先生)	Lot 27887 (PA 143236) Sungai Cipai Mukim Keratong Daerah Rompin Pahang Malaysia	Chinese
Mr. Gong Maoqing (龔茂清先生)	Flat 703, Unit 1, Tower 5, No. 249 Yi Li Dong Street, Pi Tong Town, Pi District Chengdu Sichuan Province PRC	Chinese
Mr. Dong Jie (董捷先生)	Flat 207, Tower 23 Nan Yuan No. 1 Dong San Road Er Xian Qiao Cheng Hua District Chengdu Sichuan Province PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Address	Nationality
<i>Independent non-executive Directors</i>		
Mr. Kong Chi Mo (江智武先生)	Flat 5, 3/F Fuk Wo Mansion No. 43 Tung Chau Street Tai Kok Tsui Kowloon Hong Kong	Chinese
Dr. Li Zhongquan (李忠權先生)	No. 2, 4/F Unit 1 Block 3 No. 274 Shuang Qiao Road Chenghua District Chengdu Sichuan Province PRC	Chinese
Dr. Wang Ling (汪靈先生)	Flat 207, Tower 18 Nan Yuan No. 1 Dong San Road Er Xian Qiao Chenghua District Chengdu Sichuan Province PRC	Chinese

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

<b>Sole Sponsor</b>	<b>China Everbright Capital Limited</b> 17/F., Far East Finance Centre 16 Harcourt Road, Hong Kong
<b>Sole Global Coordinator</b>	<b>China Everbright Securities (HK) Limited</b> 36/F., Far East Finance Centre 16 Harcourt Road, Hong Kong
<b>Joint Bookrunners and Joint Lead Managers</b>	<b>China Everbright Securities (HK) Limited</b> 36/F., Far East Finance Centre 16 Harcourt Road, Hong Kong  <b>BOCI Asia Limited</b> 26th floor, Bank of China Tower 1 Garden Road Central Hong Kong
<b>Co-Manager</b>	<b>President Securities (Hong Kong) Limited</b> Units 2603-6 26/F, Infinitus Plaza 199 Des Voeux Road Central Hong Kong
<b>Legal advisers to the Company</b>	<i>as to Hong Kong law:</i> <b>King &amp; Wood Mallesons</b> 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong  <i>as to Malaysian law:</i> <b>Ben &amp; Partners</b> 7-2, Level 2, Block D2 Dataran Prima Jalan PJU 1/39 47301 Petaling Jaya Selangor Darul Ehsan Malaysia  <i>as to PRC law:</i> <b>Jingtian &amp; Gongcheng</b> 34/F., Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025, China



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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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	<i>as to Cayman Islands law:</i> <b>Conyers Dill &amp; Pearman (Cayman) Limited</b> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Legal adviser to the Sole Sponsor and Underwriters</b>	<i>as to Hong Kong law:</i> <b>Sidley Austin</b> Level 39, Two International Finance Centre 8 Finance Street Central, Hong Kong
<b>Auditors and reporting accountants</b>	<b>Ernst &amp; Young</b> 22/F CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
<b>Market Research Consultant</b>	<b>Beijing Antaika Information Development Co., Ltd</b> 2/F., 12B Fuxing Road Beijing, 100814, China
<b>Independent Technical Advisor</b>	<b>Geos Mining</b> Suite 301 68 Alfred Street Milsons Point NSW 2061 Australia
<b>Property valuer</b>	<b>Jones Lang LaSalle Corporate Appraisal and Advisory Limited</b> 6th Floor, Three Pacific Place 1 Queen's Road East Hong Kong
<b>Receiving banker</b>	<b>Wing Lung Bank Limited</b> 45 Des Voeux Road Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Unit 5602, 56th Floor, The Center, 99 Queen's Road Central, Hong Kong
<b>Headquarters and principal place of business in Malaysia</b>	No. A629, Second Floor Jalan Beserah 25300 Kuantan Pahang Darul Makmur Malaysia
<b>Company's website</b>	<a href="http://www.caa-resources.com">www.caa-resources.com</a> <i>(information on this website does not form part of this prospectus)</i>
<b>Authorised representatives</b>	Mr. Li Yang No. 10, Lorong 1M 1018 Bukit Istana 25200 Kuantan Pahang Malaysia  Mr. Chu Lok Fung Barry Flat A, 29/F View Villa 38 Tai Ping Shan Street Sheung Wan Hong Kong
<b>Members of the Audit committee</b>	Mr. Kong Chi Mo ( <i>Chairman</i> ) Dr. Wang Ling Dr. Li Zhongquan
<b>Members of the Remuneration committee</b>	Dr. Wang Ling ( <i>Chairman</i> ) Dr. Li Zhongquan Ms. Li Xiaolan
<b>Members of the Nomination committee</b>	Mr. Li Yang ( <i>Chairman</i> ) Dr. Wang Ling Dr. Li Zhongquan

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## CORPORATE INFORMATION

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<b>Company secretary</b>	Mr. Chu Lok Fung Barry, <i>CPA (Aust.), FCPA</i>
<b>Compliance adviser</b>	China Everbright Capital Limited
<b>Principal share registrar and transfer office in Cayman Islands</b>	<b>Codan Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	<b>Tricor Investor Services Limited</b> 26/F., Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
<b>Principal bankers</b>	<b>China Merchants Bank (Shenzhen Branch)</b> China Merchants Bank Tower No. 7088 Shennan Boulevard Shenzhen PRC

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## INDUSTRY OVERVIEW

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*This section contains certain statistics, industry data or other information which have been derived from government, official or other public sources as well as the research report published by Antaike. Antaike has advised that (i) some information in the Antaike's database is derived from estimates from industry sources or subjective judgments; and (ii) the information in the database of other mining data collection agencies may differ from the information in Antaike's database. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering, and such information may not be consistent with other publicly available information. We, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, officers, affiliates, advisors or representatives, or any other party involved in the Global Offering make no representation as to the completeness, accuracy or fairness of such information and accordingly such information should not be unduly relied upon.*

### (I) Source of Information

In connection with the Global Offering, we have commissioned Antaike, an Independent Third Party and an information provider specialising in the mining and metals industries in China and the rest of the world, to conduct a detailed analysis of and to produce a report on the iron ore industry in the world, China and Malaysia. Antaike is a non wholly-owned subsidiary of the Information Center of China National Nonferrous Metals Industry (中國有色金屬工業資訊中心), also known as Nonferrous Metals Techno-Economic Research Institute (有色金屬技術經濟研究院), which is overseen by the China Nonferrous Metals Industry Association (中國有色金屬工業協會), an Independent Third Party. As confirmed by Antaike, the research and writing of the Antaike Report was a desktop exercise carried out by experienced professionals who have extensive knowledge of the iron ore sector. In producing the Antaike Report, Antaike made reference to the following materials:

- In-house database.
- Government reports obtained from several government bureaus, including National Bureau of Statistics of China ("NBSC"), China Customs, the Ministry of Land and Resources P.R.C. ("MLR"), the Information Center of Ministry of Land and Resources of People's Republic of China ("ICMLR"), Minerals and Geoscience Department Malaysia ("JMG") and Department of Statistics of Malaysia.
- Reports established by renowned organizations in the industry in China, including China Iron and Steel Association ("CISA"), China Association of Metalscrap Utilization ("CAMU"), WSA, Minerals Exploration Branch of China Mining Association ("MEB"), Tex Report, Mysteel, Custeel, Steel Business Briefing ("SBB"), South East Asia Iron and Steel Institute ("SEASIS") and Metal Bulletin.
- Reports established by renowned international organisations in the industry, including Hatch Associates Pty Limited ("Hatch"), United States Geological Survey ("USGS") and UNCTAD.

Where necessary, Antaike's researchers contact relevant government bureaus and companies operating in the industry to gather and synthesize information about the market, prices and other relevant information. In preparation of its Antaike Report, Antaike has assumed the completeness and accuracy of the information and data that Antaike has relied on. Antaike has confirmed that it is not aware of anything which could possibly lead it to believe that this assumption is unfair, unreasonable or incomplete.

The consulting fee paid by our Company to Antaike in connection with the preparation of the industry report for this prospectus is RMB630,000, which was determined with reference to prevailing market rates and scope of the Antaike Report. The fee was duly settled by us without any reference or conditions on any of the results provided within the Antaike Report.

### (II) Introduction to Iron Ore

The most commonly found types of iron ore are hematite ( $\text{Fe}_2\text{O}_3$ ) and magnetite ( $\text{Fe}_3\text{O}_4$ ), limonite ( $\text{Fe}_2\text{O}_3\cdot\text{H}_2\text{O}$ ), siderite ( $\text{FeCO}_3$ ) and others also occur naturally.

#### Hematite

Hematite ores are currently the most commonly found iron ores, and subsequently the most utilised. Hematite possesses a high Fe content and has mostly low phosphorus and sulphur contents with a siliceous and clay gangue.

## INDUSTRY OVERVIEW

### Magnetite, Magnetic Iron Ore

Magnetite ores are less common than hematite ores. Magnetite is an iron ore which possesses a large share of iron and which is to a high degree free from undesired tramp elements. Iron and oxygen atoms are very closely combined with each other in magnetite, thus making magnetite relatively more difficult to reduce.

Iron is an essential component used in the production of steel. According to Antaika Report, 98% of the mined iron ore is used in steelmaking while the remaining 2% are consumed by coal washing, pigment and other industries.

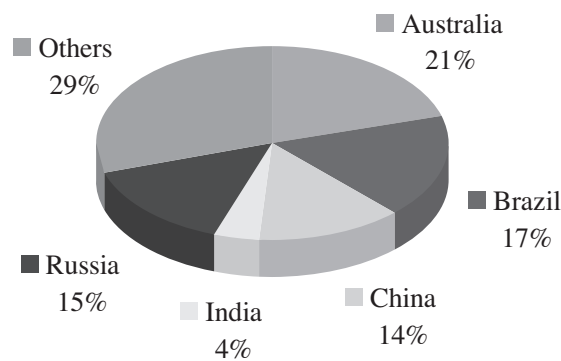
### (III) Overview of the Iron Ore Industry

#### (A) Global Iron Ore Industry

##### (1) World Iron Ore Reserve

Global iron ore resources are abundant. According to USGS, in 2011, global crude iron ore reserves were reported to be 170 billion tonnes. However, such iron ore deposits are not evenly distributed globally. The top five countries, namely Australia, Brazil, Russia, China and India have collectively accounted for 71% of the world reserves in 2011. The following chart sets forth the distribution of iron ore reserves globally in 2011 as estimated:

**World Crude Iron Ore Reserve in 2011**



Source: USGS

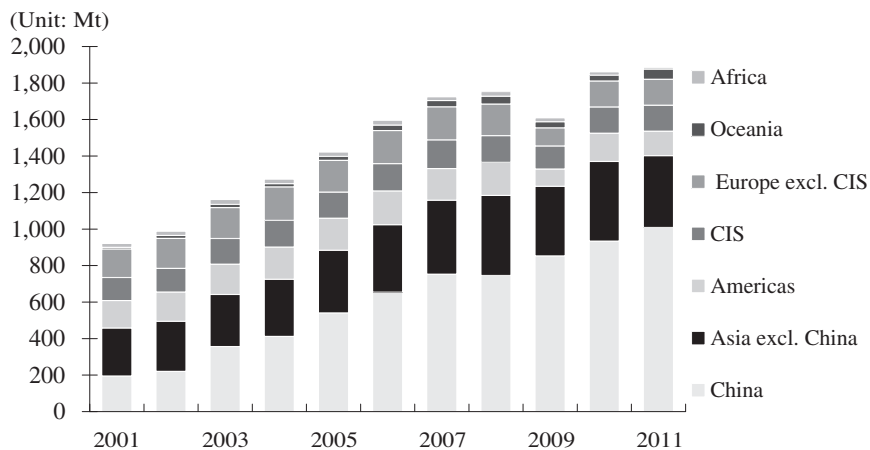
Fe content of iron ore in China, USA, Canada and Ukraine is comparatively low, averaging about 33% while average Fe content of iron ore in Australia and Brazil is relatively high.

China accounted for 14% of the world total crude iron ore reserves or 23 billion tonnes in 2011. However, the deposits in China are mostly low-grade ores, which require beneficiation and agglomeration for commercial use.

##### (2) World Consumption

According to Antaika Report, world apparent iron ore consumption increased from 923 Mt in 2001 to 1,886 Mt in 2011, representing at a CAGR of 7%.

**World Apparent Iron Ore Consumption by Region during 2001-2011**



Source: UNCTAD, Antaika Report

## INDUSTRY OVERVIEW

According to UNCTAD, China has been the world's largest iron ore consuming country in the past decade with a CAGR of 18% between 2001 to 2011. In 2011, Chinese apparent iron ore consumption was 1,009 Mt, accounting for 53% of the world total consumption.

### (3) World Iron Ore Trade

Since the global iron ore reserves are not evenly distributed and the demand for iron ore varies among different countries, iron ore is a highly traded commodity. According to Antaike Report, 1,155 Mt of iron ore, or 60% of total global production, was internationally traded in 2011.

#### (i) Exports

Australia, Brazil and India are the three major iron ore exporting countries in the world. Iron ore exports of these three countries collectively accounted for 75% of the world total iron ore exports in 2011. China has been the largest iron ore consuming country, alone absorbing over 50% of the world total consumption in 2011. Given the domestic shortage of iron ore and the comparatively lower iron content of iron ore produced domestically, the PRC has remained a pure importer of iron ore.

#### (ii) Imports

In 2011, world iron ore imports were reported at 1,118 Mt, according to UNCTAD, up by 7% against 2010 and representing a CAGR of 9% since 2001. There is a small discrepancy between the figures of world total iron ore import volume and export volume, given the time lag factor or incomplete statistics by different countries.

### World Iron Ore Imports by Country during 2001-2011

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	CAGR
	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(Unit: Mt)	(%)
China	92	112	148	208	275	326	383	444	630	619	687	22.3%
Japan	126	129	132	135	132	134	139	140	105	134	128	0.2%
South Korea	46	43	43	44	44	44	46	50	42	56	65	3.5%
Germany	40	44	39	46	42	45	46	45	29	43	42	0.5%
Taiwan	16	15	16	16	15	16	16	16	12	19	21	2.8%
Italy	16	15	15	17	18	18	17	16	9	12	15	-0.6%
France	17	19	19	21	20	20	20	18	10	15	14	-1.9%
Others	140	150	168	170	179	170	169	166	106	148	147	0.5%
<b>Total World</b>	<b>493</b>	<b>528</b>	<b>581</b>	<b>657</b>	<b>724</b>	<b>773</b>	<b>837</b>	<b>896</b>	<b>942</b>	<b>1,047</b>	<b>1,118</b>	<b>8.5%</b>

Source: UNCTAD, Antaike Report

Since 2003, China has been the world's largest importer of iron ore products. In 2011, Chinese iron ore imports reached 687 Mt or 61% of the world's total iron ore imports. This was primarily the result of robust domestic demand and limited domestic supply in China.

### (B) China Iron Ore Industry

#### (1) China Iron Ore Reserves

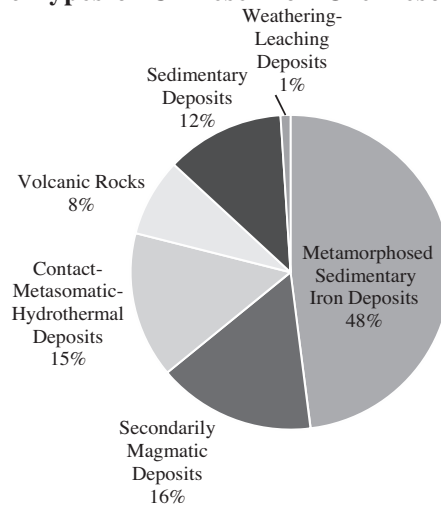
According to the NBSC, Chinese crude iron ore reserve base<sup>(1)</sup> was 22 billion tonnes. Iron ore reserve is concentrated in the four major regions in China of which provinces including Liaoning, Hebei, Sichuan, Shanxi and Inner Mongolia, collectively represent 75% of the national total in 2010.

<sup>(1)</sup> Reserve Base refers to that part of identified mineral resources that meet specified criteria related to current mining and production practices (including those for grade, quality thickness and mining technology) and are controlled and demonstrated through detailed reconnaissance and exploration and considered currently economic and marginally economic through the feasibility study and pre-feasibility study.

## INDUSTRY OVERVIEW

There are different metallogenic types of Chinese Iron Ore, according to MEB. The breakdown is set forth below:

### Metallogenic Types of Chinese Iron Ore Resources in 2011



Source: MEB, Antaika Report

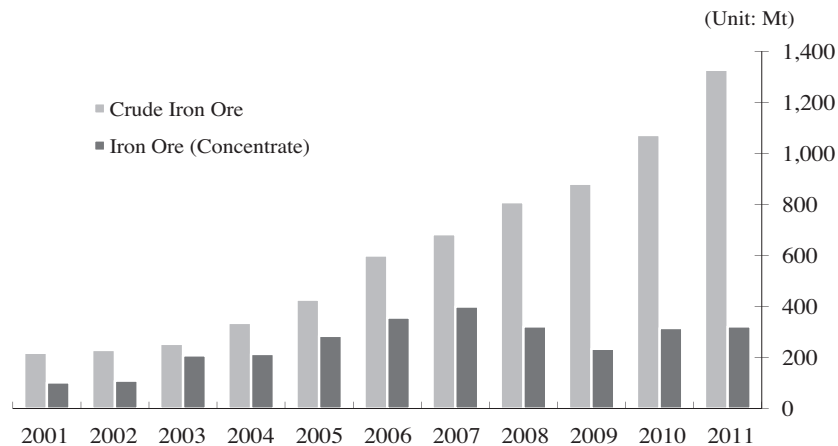
Among them, only Contact Metasomatic-Hydrothermal Deposits and Weathering-Leaching Deposits contain iron ore with average Fe content slightly over 40%. According to the Antaika Report, the national average Fe content in Chinese crude iron ore is just around 30%.

### (2) China Iron Ore Production

In 2011, Chinese crude iron ore output reached 1,327 Mt, up 27% compared to 2010. Chinese crude iron ore production has steadily increased since 2001 with a CAGR of 20%, according to NBSC.

However, as the Fe content of crude iron ore in China is significantly lower than the world average, Chinese crude ore output figure is usually discounted to enable reasonable comparisons with other countries. Based on the Chinese iron production and iron ore imports in 2011, Chinese iron ore concentrate production is calculated at 322 Mt in 2011, up 2% year on year.

### Chinese Iron Ore Production during 2001-2011



Source: NBSC, UNCTAD

Note: Chinese iron ore (concentrate) production (2001-2011) is calculated by UNCTAD.

Though the crude ore production continuously climbed record highs, the average Fe content of Chinese crude iron ore has been declining in recent years according to the Antaika Report.

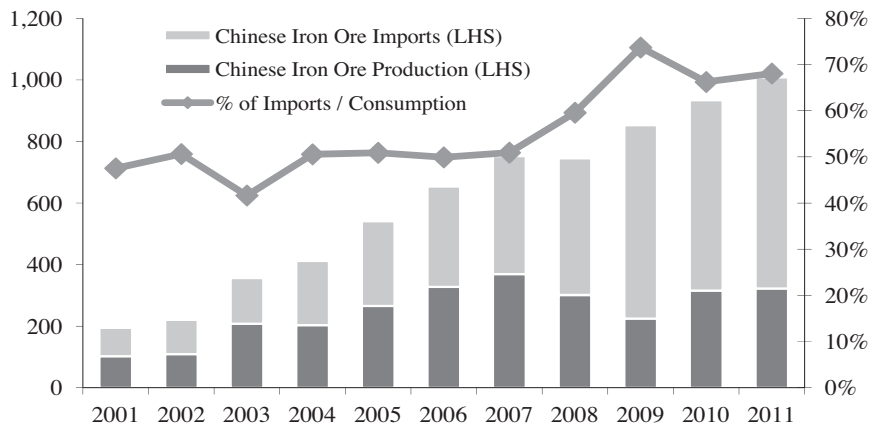
### (3) China Iron Ore Demand

According to the WSA, China is the largest steel consuming country in 2011, China consumed 45% of worldwide finished steel. Therefore, growth of the China's steel industry is the main driver behind the growth of the global iron ore sector. Set forth below is the chart about Chinese Apparent Iron Ore Consumption 2001-2011:

## INDUSTRY OVERVIEW

### Chinese Apparent Iron Ore Consumption by Source during 2001-2011

(Unit: Mt)



Source: UNCTAD, China Customs, Antaika Report

In 2011, Chinese iron ore consumption was calculated by Antaika at 1,008 Mt, up by 8% against 2010. The CAGR of Chinese iron ore consumption was 18% between 2001 and 2011.

According to the Antaika Report, the total demand for iron ore in China has been exceeding the domestic supply of iron ore. Furthermore, the average Fe content in the Chinese domestic iron ore is generally lower than the world average.

The domestic shortfall of iron ore coupled with the lower Fe content of domestic iron ore compels China to procure iron ore supply from overseas producers. The ratio of imported iron ore to Chinese total iron ore consumption has remained above 40% since 2001. In 2009, the iron ore dependency ratio on external supply reached a record high of 74%, rising from 48% in 2001. In 2011, the iron ore dependency ratio on external supply was 68%.

According to Antaika Report, the domestic shortfall and the declining Fe content is expected to remain whereas the Chinese iron ore import is foreseen to stabilise from 2012 until 2015. As such, the heavy dependency ratio on external supply is expected to continue.

#### (4) China Iron Ore Trade

Among the total imports, Australia has been the largest iron ore supplier to China since 2001. Chinese iron ore imports from Australia were 297 Mt in 2011, accounting for 43% of Chinese total iron ore imports. Brazil and India ranked after Australia and exported 143 Mt (or 21%) and 73 Mt (or 11%) of iron ore to China respectively in 2011. The imports from these three countries accounted for 75% of Chinese total iron ore imports in 2011, according to China Customs.

Compared with such major producing countries, iron ore production in Malaysia only began to take off in 2008. Therefore, Chinese iron ore imports from Malaysia only accounted for less than 1% of the total iron ore imports of China in 2011. According to the Antaika Report, robust domestic demand of iron ore would enable China to fully digest the incremental production of iron ore in Malaysia in the next five years, provided that the iron ore products are priced reasonably.

#### (5) China Iron Ore production cost

The iron ore production cash operating cost (excluding the general mining administration cost, tax and financial cost) varies significantly from mine to mine in China due to the variety of iron ore mines with differences in iron ore types, grades, geology, mining scales, mining methods and efficiency. In some Chinese mines, the Fe content of iron ore is so low that it needs to be processed prior to be sent to the beneficiation plant. According to the Antaika Report, the industry cash operating cost for iron ore produced in China ranges from RMB550 to RMB650 (equivalent to USD87.3 to USD103.2) per tonne in 2011.

### (C) Malaysia Iron Ore Industry

#### (1) Malaysia Iron Ore Reserve

Magnetite, hematite and limonite are all found in Malaysia. Iron ore resources are mainly distributed in Pahang, Terengganu and Johor states of Malaysia, but are also found in Kelantan, Perak and Kedah states. Bukit Ibam in Pahang and Bukit Besi in Terengganu are two well-known regions with relatively abundant iron ore resources. The Fe content in most of Malaysian crude iron ore deposits range from 30 to 50%.



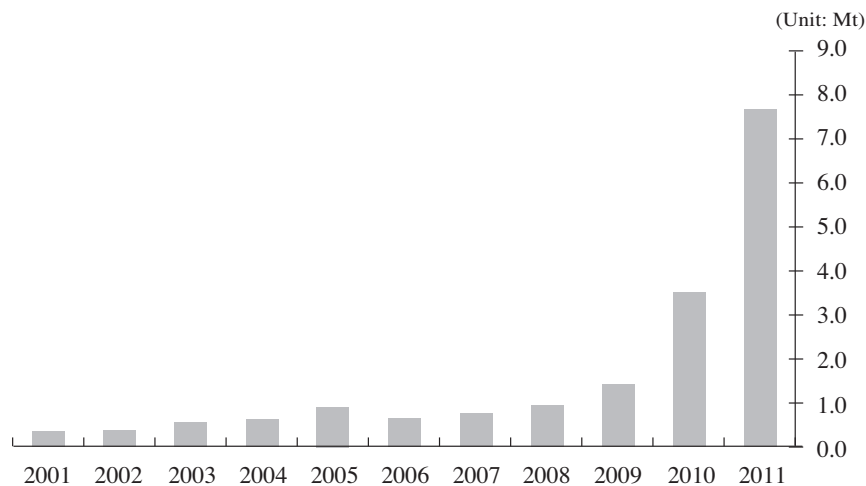
## INDUSTRY OVERVIEW

It is estimated by JMG that the iron ore reserve should be no more than 100 Mt on the direct shipment order basis (i.e. Fe content over 50%). According to Antaike Report, the iron ore reserves of Malaysia exceed 200 Mt on the basis of 30% and above grade.

### (2) Malaysia Iron Ore Production

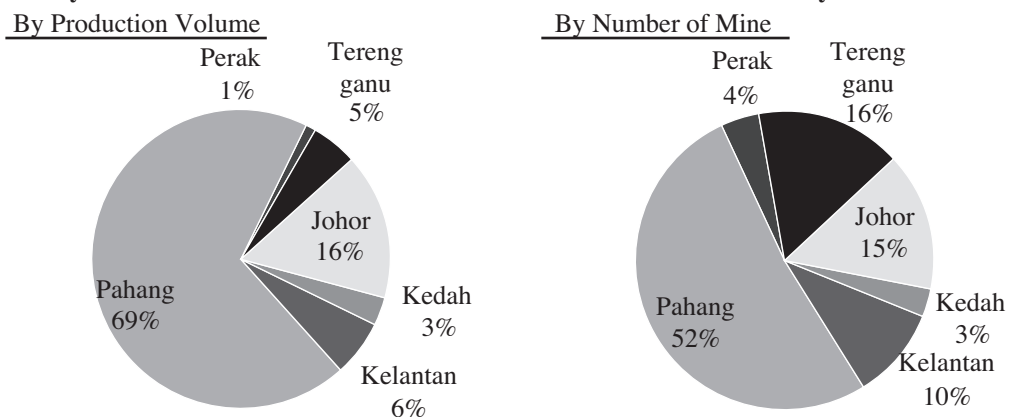
The domestic iron ore industry is fragmented with small-scale iron ore mines located in the States of Johor, Pahang, Perak and Terengganu. According to Antaike Report, there are just 10 to 20 iron ore mines in Malaysia before 2007. At that time, the low grade iron ores were mainly consumed by the pipe coating and cement industries. Since 2007, driven by the demand from China, Malaysia's high grade iron ore production have demonstrated robust growth. In 2008, Malaysian iron ore production began to take off. Iron ore production increased from 801,000 tonnes in 2007 to 7.7 Mt in 2011, at a CAGR of 76% while the number of iron ore mines grew to 80 by the end of 2011.

**Malaysian Iron Ore Production during 2001-2011**



Source: JMG, Department of Statistics of Malaysia, Antaike Report

**Malaysian Iron Ore Production Volume and Number of Mine by State in 2010**



Source: JMG, Department of Statistics of Malaysia, Antaike Report

According to JMG, Fe content of iron ore products after processing is mainly in the range of 50% to 62% in Malaysia. Pahang is the largest iron ore production state in Malaysia and most iron ore mines are located in this state. In 2010, the iron ore production in Pahang was 2.5 Mt, accounted for 69% of the total iron ore production in Malaysia. At the same time, there were 36 iron ore mines in Pahang, accounting for 52% of the total iron ore mine number in Malaysia.

### (3) Malaysia Iron Ore Trade

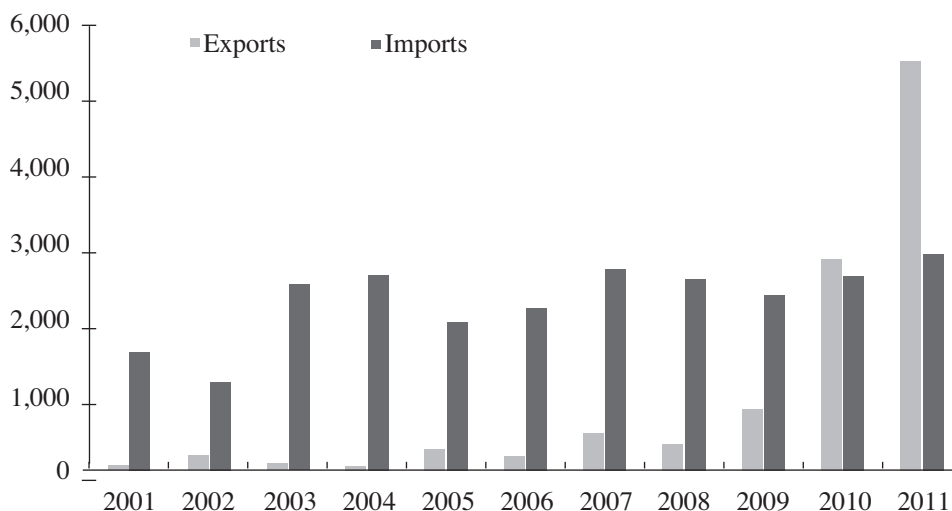
Historically, Malaysia was a net importer of iron ore. After Malaysia iron ore production began to take off in 2008, Malaysia became a net exporter of iron ore in 2010. According to Malaysia

## INDUSTRY OVERVIEW

Customs, Malaysian iron ore imports stabilised at around 2.4 to 2.9 Mt during 2003 to 2011. However, Malaysian iron ore exports increased sharply since 2009. Due to the growing demand of China, Malaysian iron ore miners are striving hard to increase their production of high grade iron ore products. Meanwhile, several companies have invested in beneficiation facilities to upgrade medium and low-grade ore to concentrate with grades acceptable by Chinese buyers. Malaysian iron ore exports rocketed from 0.5 Mt in 2007 to over 5.4 Mt in 2011.

### Malaysian Iron Ore Exports and Imports during 2001-2011

(Unit: thousand tonnes)



Source: Malaysia Customs, Department of Statistics of Malaysia, China Customs

China is the major destination for Malaysia iron ore exports. Iron ore exports to China accounted for more than 99% of total Malaysia iron ore exports since 2007. In 2011, Malaysia exported 5 Mt iron ore to China, an increase of 93% against 2010.

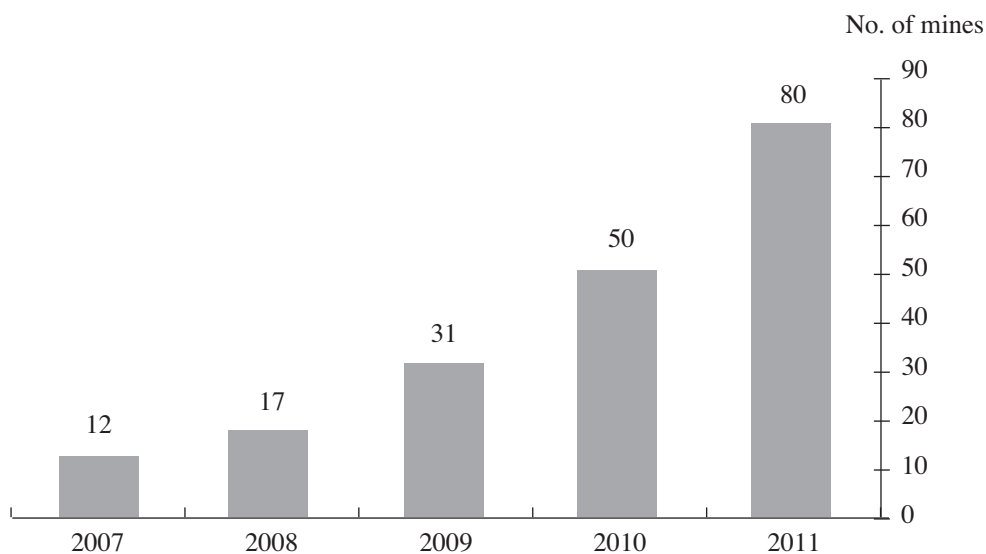
Kuantan port is the largest iron ore exporting port in Malaysia. In 2010 and 2011, iron ore exports from Kuantan port was around 2 to 4 Mt respectively, accounting for about two thirds of the total iron ore exports from Malaysia.

#### (4) Malaysia Iron Ore Competition

##### Market overview in Malaysia

The number of iron ore mines increased from 12 in 2007 to 80 in 2011 in Malaysia. Meanwhile, the average annual iron ore production per mine increased from 67,000 tonnes in 2007 to 96,000 tonnes in 2011.

### Number of Malaysia's Iron Ore Mines during 2007-2011



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## INDUSTRY OVERVIEW

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Source: JMG, Department of Statistics of Malaysia, Antaike Report

According to the Antaike Report, the average annual crude iron ore production volume per mine is 96,000 tonnes in 2011. Although our Group was still in the early stage of development in 2011, crude iron ore production from the Ibam 350 mine was 100,510 tonnes in 2011, which is higher than the industry's average. According to JMG, the largest iron ore mine in Malaysia produced 30,000 tonnes of crude iron ore monthly.

### *Competitive landscape of our Group*

Our Directors believe that we are competitive and differentiate from our major competitors in the world in the following aspects:

#### 1. *Location*

Being located in Malaysia, the Ibam Mine has a competitive advantage over our competitors operating mines in Brazil, South Africa, India and Australia, which are the principal sources of imported iron ore products for the PRC market. We benefit from the shorter shipment period due to our proximity to customers in the PRC as compared with the above overseas suppliers. In general, it takes 4-10 days to ship our products from Malaysia to our customers in the PRC while it takes 9-12 days from Australia, 12-15 days from India, 28-38 days from South Africa and 40-45 days from Brazil. We could therefore satisfy our PRC customers' demand for iron ore products in a shorter period of time and our customers are less susceptible to the risk of price fluctuations of iron ore products during the shipment period.

#### 2. *High grade and quality of iron ore concentrates*

According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30%. Compared with raw ores mined in the PRC, the iron content of raw ores mined from the Ibam Mine has superior iron content, which ranges from 31% to 61%. For raw ore with iron content over 50%, we sell to customers as iron ore products after simple crushing process. Since such iron ore products do not require beneficiation, beneficiation cost is saved and our overall production cost for iron ore products is reduced. For raw ore with iron content below 50%, it will be processed to produce iron ore concentrates. Due to the nature of the ore, we produce high quality iron ore concentrates at relatively low costs.

#### 3. *Mining method*

We utilise open-pit mining method at the Ibam Mine. Compared to underground mining method, open-pit mining method allows relatively easy access to extraction areas and reduces operational risks. Since open-pit mining method does not require specialised machinery, equipment or supporting structures necessary in underground mining, the open-pit mining method we employ is relatively low-cost and simple.

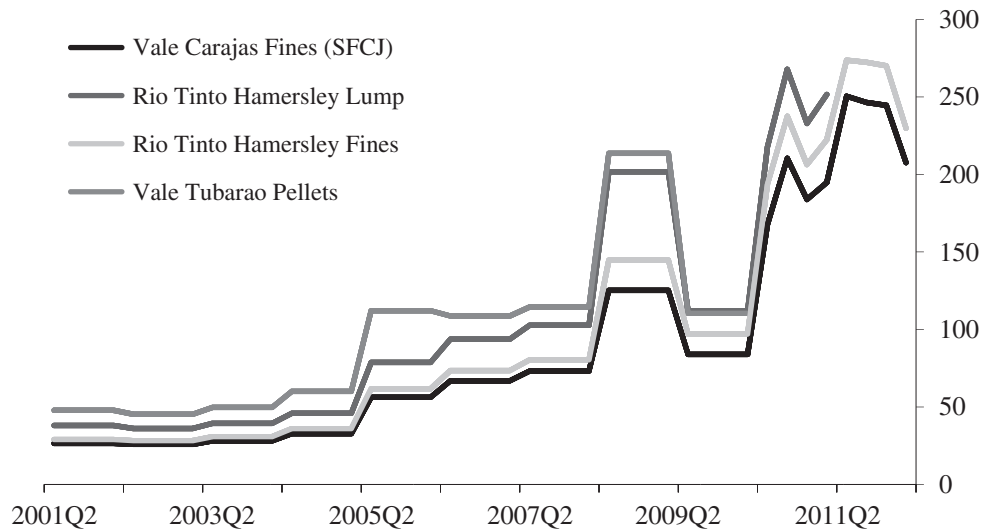
### **(IV) Iron Ore Pricing**

#### **(A) *International Iron Ore products prices***

Prior to 2009, iron ore prices are generally negotiated directly between buyers and sellers and have been set mostly on an annual basis. The benchmark level for price negotiations was usually the first major sinter fine contract signed and announced by one of Companhia Vale do Rio Doce ("Vale"), BHP Billiton Limited (BHPB) or Rio Tinto Group ("Rio Tinto") with either a major European or Asian steelmaker. However, there has been a shift away from annual benchmark pricing by iron ore producers to more flexible pricing options since late 2009. Iron ore price indices have been increasingly used as a benchmark or an important reference for international iron ore contracts. Iron ore quotes are now denominated in US cent/dmtu in the major markets.

## INDUSTRY OVERVIEW

**International Iron Ore Contract Prices in Asia 2001-2011 (Unit: US cent/dmtu)**



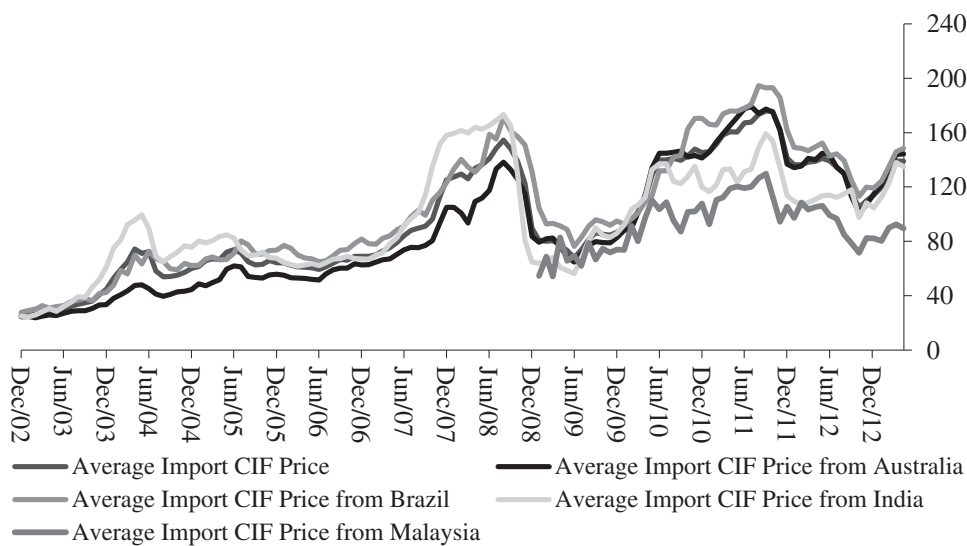
Source: *Tex Report, SBB, Antaika Report*

Note: “dmtu” consists of 1% of iron contained in a tonne of iron ore, excluding moisture. The price per tonne of a certain quantity of iron ore is calculated by multiplying the cent/dmtu price by the percentage of iron content.

### (B) *China’s Imported Iron Ore Products Price*

Most iron ore products imported into China were purchased at prices based on iron ore indices. With China being the main destination for world iron ore shipments, China’s imported iron ore products price follows the same trend of the international ore product prices. The import price from all major producing countries demonstrated similar trends that fluctuated between 2007 and 2011 and declined significantly to a trough in 2009 as a result of the global economic downturn. Such price began to move up rapidly since 2010 as the economy started to pick up gradually.

**Average CIF Monthly Prices of Chinese Imported Iron Ore by Source during December 2002-April 2013 (Unit: US \$/tonne)**



Source: *China Customs*

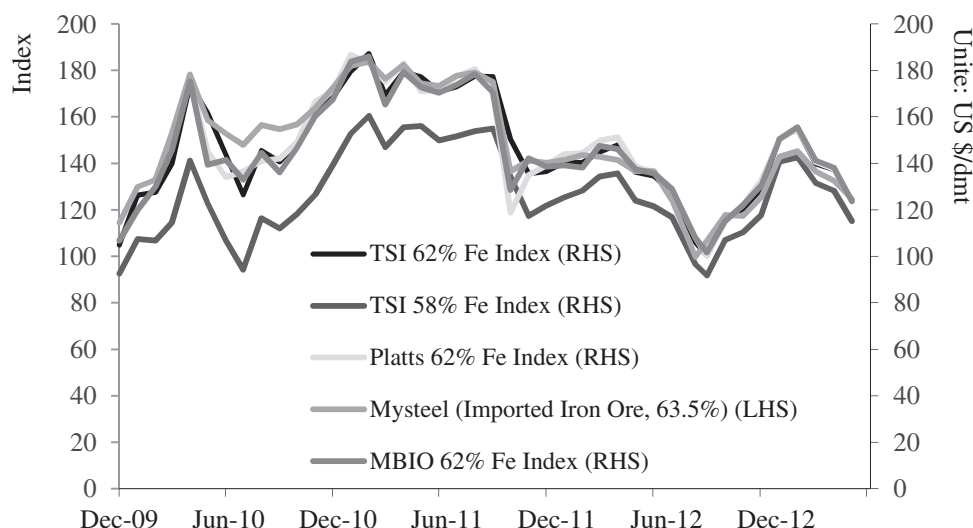
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## INDUSTRY OVERVIEW

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Indices that are widely used and benchmarked include Metal Bulletin Iron Ore Index (“MBIO”), The Steel Index (“TSI”), Platts and Mysteel Iron Ore Prices Index (“Mysteel”). All four iron ore indices are daily reference price for the iron ore spot market in China. The following diagram illustrates the price trend of indices from 2009 to 2013:

**Iron Ore Price Indices December 2009-May 2013 (Unit: US \$/dmt)**



Source: Platts, SBB, Mysteel, Metal Bulletin

Note: Mylpicin Jan. 2005=100

The indices provide pricing information for iron ore products with different Fe content of 58%, 62% and 63.5%. Although iron ore prices vary with the level of Fe content, all indices demonstrated similar pricing trend from 2010 to May 2013.

### (C) Malaysia Iron Ore Price

Similar to other overseas suppliers, Malaysia iron ore suppliers sell iron ore products to Chinese customers by making reference to the widely-used indices such as Platts, TSI, MBIO and Mysteel. Since 2009, the highest monthly CIF to China price of Malaysian iron ores was USD130/tonne in September 2011. In April 2013, the CIF price of Malaysian iron ores was USD90.0/tonne.

### (V) Policies and Regulations supporting Growth in the steel industries of China

The iron and steel industry is considered by the Chinese Government as a pillar industry. In order to maintain sustainable development of Chinese steel industry, the government has implemented “the principle of taking different approaches to different situations and encouraging the growth of some sectors while discouraging the expansion of others” policy.

In 2005, National Development Reform Commission (中華人民共和國國家發展和改革委員會) (“NDRC”) formally promulgated and implemented “Iron & Steel Industry Development Policy” (NDRC Decree No. 35) (《鋼鐵產業發展政策》(國家發改委第35號令)), which is the first industrial development guidance policy for iron and steel industry, which targets to raise the products quality substantially and to reduce the number of iron and steel establishments by 2010.

In 2006, NDRC, the Ministry of Finance (中華人民共和國財政部) (“MOF”) and the Ministry of Land and Resources (中華人民共和國國土資源部) (“MLR”) amongst other departments jointly promulgated “Notice on Controlling of Total Capacity, Elimination of Outdated Capacity and Speeding up Structure Adjustment for Iron & Steel Industry (“Notice”) (NDRC Industry Doc. 【2006】1,084) (《關於鋼鐵工業控制總量淘汰落後加快結構調整的通知》(發改工業【2006】1084號)), which aims to eliminate outdated iron-making capacity, to form more coastal steel bases through relocation and to increase industrial concentration.

In 2011, China’s Ministry of Industry and Information Technology (中華人民共和國工業和信息化部) (“MIIT”) issued “Notice on Printing the 12th-Five Year Development Plan for the Iron and Steel Industry” (MIIT Doc. 【2011】480) (《關於印發鋼鐵工業“十二五”發展規劃的通知》(工信規【2011】480號)). The plan identified the six development goals including product upgrades, energy conservation, industrial layout, resources guarantee, technological innovation, and industrial concentration. It also encourages steel enterprises to establish the shared-interest resources development mechanism with the countries having abundant resources.

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## REGULATIONS AND JORC CODE

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### LAWS AND REGULATIONS RELATING TO THE INDUSTRY IN MALAYSIA

The mining operations in Malaysia is governed by federal and state legislations and various approvals, licenses and permits are required to be obtained at federal and state levels to undertake mining operations in Malaysia.

In view that our mining operations is in the State of Pahang, we set out below a summary of certain Malaysian legal and regulatory provisions and licensing requirements which are material and relevant to our mining operations. As it is in the form of a summary, it does not contain all legal and regulatory provisions that may be applicable to our mining operations in the state of Pahang. Any investor who wishes to have a detailed description of the laws of Malaysia in relation to our mining operations is recommended to seek independent legal advice.

#### *Pahang Mineral Enactment 2001 (“PME”)*

The PME provides for mineral tenements and for purposes connected therewith in the State of Pahang. All minerals within or upon any land in the State of Pahang is solely vested with the State Authority of Pahang (i.e. the Ruler or the State Executive Council of the State of Pahang) unless it has specifically been disposed of by the State Authority of Pahang in accordance with the provisions of the PME or any other written law.

A mineral tenement may be granted or transferred to a natural person, a company incorporated under the relevant law relating to companies and authorised by its constitution to hold mining land, a body expressly empowered to hold mining land under any other written law or a foreign company as defined in the relevant law relating to companies and registered as such under the said law and authorised by its constitution to hold mining land.

The PME also provides that the holder of a mineral tenement shall pay to the State Authority royalty on any mineral won and sold or intended for sale, or won and utilised, or to be utilised, for any commercial or industrial purpose. The amount of royalty payable is calculated based on (i) a percentage of the market value of the mineral won, as prescribed in the PMR, or (ii) an amount payable on the basis of any specified volume or weight of the mineral won.

#### *Prospecting Licence and Exploration Licence*

PME prohibits any exploration activities to be conducted without a valid prospecting licence or exploration licence. Prior to commencement of any exploration activities, a prospecting licence or an exploration licence is required to be obtained from the State Authority of Pahang. Application for a prospecting licence or an exploration licence shall be made to the State Authority of Pahang in the prescribed forms.

The applicant shall upon obtaining the approval for a prospecting licence or an exploration licence, make payment of the prescribed fees and the first year’s holding fee in order to obtain a prospecting licence in Form D or an exploration licence in Form E subject to such terms or conditions as may be specified therein or as may be prescribed.

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The holder of a prospecting licence or an exploration licence for the specified area has the right (i) to obtain access and to enter the prospecting or exploration area; (ii) to explore on an exclusive basis for any mineral within the limits of the prospecting or exploration area; (iii) to obtain samples within the limits of the prospecting or exploration area and to remove such samples; and (iv) to use water, sand and gravel, road, canal and river as required for exploration within the limits of the prospecting or exploration area.

The area of a prospecting licence shall not exceed 400 hectares. Any number of prospecting licence may be granted to any person provided that no person shall be granted under multiple licences a contiguous area exceeding 800 hectares. On the other hand, the area of an exploration licence shall exceed 400 hectares but shall not exceed 20,000 hectares. Any number of exploration licence may be granted to any person provided that no person shall be granted multiple licences over a contiguous area exceeding 40,000 hectares.

The duration of a prospecting licence shall not exceed two years whereas the duration of an exploration licence shall not exceed ten years. An application for renewal of a prospecting licence and an exploration licence must be made at least six and twelve months, respectively, prior to its expiry. The total duration of the prospecting licence and the exploration licence shall not exceed four years and fifteen years, respectively. The approval of the renewed prospecting licence and exploration licence shall take effect upon payment of a prescribed fee.

A prospecting licence may be transferable only in certain circumstances i.e. (i) if such licence has been granted a hard rock extension; or (ii) upon the death, dissolution or other legal disability of the licence holder. An application for transfer shall be made to the State Authority of Pahang and may be transferred upon approval of the State Authority of Pahang. An exploration licence may be transferable without any condition. Nevertheless, an application for transfer shall be made to the State Authority of Pahang and may be transferred upon approval of the State Authority of Pahang.

The prospecting licence and the exploration licence when issued may contain specific terms and conditions. If there is any breach of the terms and conditions contained in these licences or the provisions under the PME relating to a prospecting licence or exploration licence, the State Authority of Pahang may (i) revoke the licence; (ii) make an order for the payment of a fine not exceeding RM200,000 (equivalent to USD62,952); or (iii) issue a notice specifying the necessary action to remedy the breach or contravention within a specified time.

Ben & Partners is of the view that all exploration activities should have been conducted during the validity of the prospecting licence and upon completion thereof, an application may be made for a mining lease. Although Section 157 of the PME provides that it is an offence to conduct exploration activities without a valid prospecting licence or exploration licence, as advised by Ben & Partners pursuant to their enquiries with the office of Director of Lands and Mines and JMG Pahang, the holder of a mining lease is allowed to conduct exploration activities on a mining site during the validity of its mining lease. The authorities have granted indulgence to and/or allow the holders of a mining lease to carry out exploration activities during the validity of their mining leases.

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### *Mining Lease*

An application for a mining lease shall be made to the State Authority of Pahang in the prescribed form and the State Authority of Pahang may grant a mining lease over any land belonging to the State of Pahang. The holder of the mining lease shall have the rights to exclusively mine the land in respect of which the lease has been granted and to extract and sell any mineral obtained from the said land pursuant to the mining lease. At the time of an application of a mining lease, a holder of a valid prospecting licence or exploration licence covering the area of land to which the application relates may be authorized to conduct a small scale mining operation on the area of the land which the application of the mining lease is made.

An application for a mining lease shall include a pre-feasibility study which shall include (i) a general description of the proposed mining scheme; (ii) the expected commencement date of mineral production (to be stated as the number of months from the date of issuance of the mining lease); (iii) a schedule of estimated annual raw ore production for the term of the mining lease; (iv) such information as may be prescribed; and (v) such other information as the State Authority of Pahang may reasonably require for the discharge of its function in relation to the application.

A mining lease granted by the State Authority of Pahang shall specify whether the lessee is authorised to conduct a small scale mining operation or a large scale mining operation.

A “large scale operation” refers to a mining operation within a mining lease area which exceed any of the following productions limits:-

- (a) annual throughput of 3.5 million cubic metres per year in the case of extraction of minerals from primarily alluvial deposits;
- (b) annual combined run-of-mine ore, waste and overburden production of 100,000 tonnes per year (waste material not exiting mine mouth to be excluded) in the case of underground mining operations; or
- (c) annual combined run-of-mine ore, waste and over-burden production of 300,000 tonnes per year in the case of open-cast mining operations extracting minerals from primarily non-alluvial deposits.

It also refers to a mining operation within a mining lease area with a capital and infrastructure investment exceeding RM150 million, with more than 250 employees or workers at the mine site on a typical day (including all shifts), or which uses any of the following mining practices:

- (a) extensive and continued use of explosives;
- (b) continuous flotation circuits; or
- (c) extensive and continued use of toxic chemicals or agents.



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A “small scale operation” refers to a mining operation other than a large scale operation as defined above pursuant to the PME. A mining scheme approved for mining land not exceeding 1,000 hectares is by practice in the State of Pahang, falls within small scale operation.

Our Directors confirmed that the Group’s mining operation is currently within small scale operation.

Ben & Partners, upon enquiry made with an officer of Mine and Quarry Unit, JMG Pahang, had been informed that the Group’s mining operation in Ibam Mine is currently within small scale operation. Should the Group’s iron ore production exceeds small scale operation during the validity of the Mining Lease and the approved operational mining scheme, which is expected to take place in first half of 2013, an application will be submitted to the relevant authorities for their approval to alter the Mining Lease and the approved operational mining scheme from small scale operation to large scale operation.

Pursuant to the PME, the holder of the mining lease for large scale operation shall not commence any development work or mining on the land until after the approval of a mine feasibility study, a plan for rehabilitation and an environmental impact assessment, if so required, under the Environmental Quality Act 1974. As such, Gema Impak is required to alter the Mining Lease and resubmit the Operational Mining Scheme for the approval from JMG Pahang and comply requirements of the relevant authorities before the Group’s production exceeds small scale operation. As advised by Ben & Partners pursuant to their enquiries made with the office of Director of Lands and Mines Pahang and JMG Pahang, the mining operations at Ibam Mine will not be affected as long as approval to alter the Mining Lease and to modify the approved operational mining scheme from “small scale operation” to large scale operation is obtained prior to breaching the threshold for “large scale operation” and our Directors consider that the costs involved in the alteration of the Mining Lease and in modification of the approved operational mining scheme are minimal and there will be no material adverse impact on our financial position.

The Directors undertake to ensure and cause Gema Impak to comply with the terms, conditions and requirements of the PME, the PMR and the relevant legislations to alter the Mining Lease and the approved operational mining scheme from small scale operation to large scale operation. Based on our annual production for the year ended 31 December 2012, our Directors considered that our operation represented approximately 59% of the production threshold specified for large scale operation as at 31 December 2012. A letter of inquiry has been submitted to the JMG Pahang on 10 February 2013 to inquire the status to apply for large scale operation for the mining operation in the Mining Site. The Deputy Director from JMG Pahang has vide a letter dated 3 April 2013, informed that the Mining Lease is not required to be altered, and further informed that the state government will only consider the change of status (being the alteration of the Mining Lease from small scale operation to large scale operation) upon expiry of the present Mining Lease. Based on the foregoing, Ben & Partners is not aware of any legal impediment for the Group to obtain the requisite approval for alteration of the Mining Lease and the approved operational mining scheme from small scale operation to large scale operation.

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If the application for a mining lease is granted, the State Director of Lands and Mines (from the JMG Pahang) shall upon payment by the applicant of the prescribed fees, first year's rent, survey fee (if applicable) and fee for mining lease plan, issue to the applicant a mining lease in Form F subject to such terms or conditions as may be specified therein or as may be prescribed.

Further the holder of the mining lease shall upon commencement of any development work on the land which is the subject of the mining lease, and within fourteen days before commencing to mine the said land, submit a written notice as may be prescribed of such commencement and the date thereof to the State Director of Lands and Mines and the Superintendent of Mines. The holder of the mining lease shall commence development work and mining within nine months from the date of registration of the lease provided that where the lease is subject to a condition or requirement under the PME prohibiting the commencement of development work until such condition or requirement is satisfied, the holder of the mining lease shall commence development work within nine months from the date on which such condition or requirement has been satisfied.

The duration of the mining lease shall be for the maximum economic life of the mine or the mining operations, as the case may be, but shall not exceed an initial term of twenty one years. The holder of the mining lease may apply for renewal of the mining lease in a prescribed form at least twelve months prior to expiry of the initial term of the mining lease. The mining lease may be renewed in whole or in part for a term based on the economic life of the mine or the mining operations, as the case may be, but such renewal shall not exceed twenty one years. On the basis that the initial term of the Mining Lease was determined based on the maximum economic life of the mine or the mining operations (i.e. six years), it may not be practicable for a renewed Mining Lease to be issued for a duration of more than the initial term. Further, the holder of the mining lease is required to show to the satisfaction of the Director of Lands and Mines that there are mineral reserves to justify a renewal. Our Directors are of the view that the Group will, barring unforeseen circumstances, be able to comply with the terms, conditions and requirements stated in the Mining Lease, the PME, the PMR and the relevant mining legislations. Based on the foregoing, Ben & Partners is not aware of any legal impediment for renewal of the mining lease.

A mining lease may be transferable and an application for transfer shall be made to the State Authority of Pahang and may be transferred upon approval of the State Authority of Pahang. The Group has acquired the exclusive rights to mine iron ore from the Ibam Mine vide the Mining Agreement, which does not constitute a transfer of mining lease, hence the approval of the State Authority of Pahang is not required to be obtained pursuant to the PME. As advised by Ben & Partners pursuant to the enquiries made with the Office of Director of Lands and Mines Pahang, the grant of exclusive rights to mine iron ore to the Group neither constitute a breach nor constitute a circumvention of any approval requirement under the PME. As advised by Ben & Partners pursuant to the enquiries made with the Office of Director of Lands and Mines Pahang, the grant of rights to mine by a holder of a mining lease does not require the approval of State Authority of Pahang.

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The State Authority of Pahang may forfeit the mining land if (i) the holder of the mining lease fails to commence mining on the land in respect of which the mining lease authorizing small scale operation has been granted within one year from the production commencement date specified in the pre-feasibility study, submitted to the State Authority of Pahang or (ii) the level of annual ore production is less than twenty percent of the planned raw ore production for that year as stated in the pre-feasibility study submitted to the State Authority in the case of mining lease authorizing small scale operation.

If the State Authority of Pahang is satisfied that the holder of the mining lease has breached any of the terms or conditions specified in the mining lease or has contravened any of the provisions of the PME, it shall make an order declaring the mining land in respect of which the mining lease has been granted forfeited to the State Authority of Pahang.

Gema Impak confirmed that they are in compliance with the conditions of the Mining Lease and the statutory conditions set out in the PME and the PMR and Ben & Partners is not aware of any non-compliance of the terms and conditions in the Mining Lease or provisions of the PMR and the PME which may result in the revocation of the Mining Lease.

### Rehabilitation Costs

For the purpose of rehabilitation of mining lands which are subject to mining leases authorising small scale operations, PME requires a common rehabilitation fund (“Fund”) to be established and administered by the State Mineral Resources Committee (“Committee”).

PME provides that the lessee shall pay into the Fund including (a) such sum as may be annually appropriated by the Legislative Assembly of Pahang for the purposes of the Fund; (b) any loan or grant given to the State Authority of Pahang by the Federal Government for the purposes of the Fund; and (c) the rehabilitation fee payable by the Company, which is (a) an annual fee at the rate of one percent of the gross sales value of all minerals won during a calendar year from the mining land that is subject to the lease; or (b) RM10,000 (equivalent to USD3,148), whichever is greater, to the State Authority of Pahang before issuance of the Mining Lease and on or before each anniversary date of the Mining Lease for the purpose of rehabilitation and reserve of the Ibam Mine. As advised by Ben & Partners upon enquiries made with the office of Director of Lands and Mines Pahang, the rehabilitation fee (of RM10,000 per annum) (equivalent to USD3,148) shall be payable into the common rehabilitation fund for all small scale operators during the tenure of the mining lease, irrespective of the gross sales value, and such payment shall be made upon approval of the mining lease.

Every lessee of a mining lease authorizing large scale operation shall submit a mine rehabilitation plan to the State Director of Lands and Mines. The mine rehabilitation plan shall provide for specific rehabilitation actions, inspections, annual reports, estimated total cost for rehabilitation, cost estimates for each specific rehabilitation action and a detailed timetable for the orderly and efficient rehabilitation of the mining land.

In the event, the mining lease is altered from small scale operation to large scale operation, the lessee is required to pay into the mine rehabilitation fund, such amount in the following manner pursuant to the PME.

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If the terms of the mining lease authorizing a large scale operation exceeds ten years, the lessee shall pay into the mine rehabilitation fund (a) an initial amount of ten per cent of the estimated total cost for rehabilitation specified in the mine rehabilitation plan; and (b) annual payments, nine months thereafter, of one tenth of the estimated total cost for rehabilitation specified in the rehabilitation plan. Where the term of the mining lease authorizing a large scale operation is less than ten years, the lessee shall pay into the mine rehabilitation fund (a) an initial amount equal to the estimated total cost for rehabilitation specified in the rehabilitation plan divided by the term of the lease; and (b) annual payments, each year thereafter, equal to the estimated total cost for rehabilitation specified in the rehabilitation plan divided by the term of the lease.

### *Reserve*

For the purpose of reserves, the PME provides that the State Authority may by notification in the Gazette (a) declare any land not subject to reservation under any written law as a mineral reserve; and (b) specify the types of activities which are not allowed for the purpose of reserving such land for mineral tenements. The State Authority may also at any time, by notification in the Gazette, vary or revoke a mineral reserve in whole or in part.

Save for the afore-said provision and the provision which provides for the requirement of the lessee to show to the satisfaction of the State Director of Lands and Mines appointed under section 12 of the National Land Code that there are mineral reserves to justify a renewal in an application for renewal of mining lease, there is no further provisions for reserves.

### *Water Permit*

A holder of a mineral tenement is entitled to the enjoyment of water as may be found on the land which is the subject of the mineral tenement. However, pursuant to the PME, no holder of a mineral tenement shall make, cause or permit to be made, any alteration in the water supply of any land for the purposes of the mineral tenement as may prejudicially affect the water supply enjoyed by any other persons or lands, obtain or cause to be obtained any water supply from any river, stream or water course flowing over or under the land which is the subject of a mineral tenement, or divert or cause to be diverted any water supply from lands outside the area covered by the mineral tenement to the land which is the subject of the mineral tenement, except under the authority and in accordance with the terms or conditions of a licence or permit issued under the PME.

An application for a water permit shall be made by the holder of a mineral tenement to the Superintendent of Mines in the prescribed form pursuant to the PME. The Superintendent of Mines may, after consultation with such other relevant authorities as he deems necessary and upon payment of the prescribed fee, approve the application and issue to the applicant a water permit subject to such terms or conditions as may be specified therein or as may be prescribed.

The PME provides that the term of a water permit shall not exceed one year but may, upon application made in the prescribed form, be renewable at the discretion of the Superintendent of Mines and upon renewal thereof the Superintendent of Mines may impose such terms or conditions as he deems fit, and shall endorse on the permit the particulars of such renewal which shall not exceed the expiry date of the mineral tenement for which the water is to be used.

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The Superintendent of Mines may revoke a water permit if he is satisfied that the holder of the permit has breached any of the terms or conditions specified in the permit or has contravened any of the provisions of the PME and the decision of the Superintendent of Mines is final.

Gema Impak and Pacific Mining confirmed that they are in compliance with the terms and conditions of the Water Permit and the statutory conditions set out in the PME and the PMR and Ben & Partners is not aware of any non-compliance of the terms and conditions in the Water Permit and the statutory conditions set out in the PME and the PMR.

### ***Pahang Mineral Regulations 2005 (“PMR”)***

In furtherance to the PME, the PMR provides the procedures, the forms and the regulations in respect of the mineral tenements.

The PMR also prescribes the royalty payable to the State Authority in respect of minerals won and sold from mining activities. The holder of a mineral tenement is required to pay royalty on the mineral produced based on the market value of the mineral. Pursuant to the PMR, the holder of a mineral tenement shall within seven days of the expiry of each month, forward to the Director of Lands and Mines the royalties and a report for the preceding calendar month showing in full the details required to calculate those royalties including, where relevant: (i) the quantity of the mineral; (ii) terms and other parties involved, of any sale, transfer, shipment or other disposal of the mineral; (iii) the market value of the mineral; (iv) the method of calculating the market value of the mineral including details of any costs deducted to calculate the market value; and (v) report any transaction, transfer, arrangement and dealing which involve affiliated enterprises along with relevant supporting documents.

The PMR further provides that contravention of certain provisions in the PME is an offence and may be compoundable under the PMR. The PMR allows the authorized officers to serve the notice to the offender to inform the intention of compounding any offence. When an offer to compound is made and accepted, payment shall be made to the Director of Lands and Mines. Where the compound is not paid within the specific time, the offender may be prosecuted without further notice being given.

Gema Impak and Pacific Mining confirmed that they are in compliance with the provisions set out in the PMR and Ben & Partners is not aware of any non-compliance by Pacific Mining of the provisions of the PMR.

### ***Mineral Development Act 1994 (“MDA”)***

The MDA governs the fossicking, panning, prospecting, exploring, mining and processing of minerals and mineral ores and to mines, minerals and mineral ores generally. The MDA shall apply throughout Malaysia save in circumstances the Minister in charge of the responsibility for mining and minerals may by order suspend the operation of the whole or any of the provisions of the MDA in any State.

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### *Operational Mining Scheme (“OMS”)*

Pursuant to the MDA, the holder of a mining lease is required to submit an operational mining scheme for development work and mining on the land before the commencement of any development work on the mine or mining within the mineral tenement area for approval by the Director of Mines. The operational mining scheme shall include the expected date of commencement of production, a schedule of estimated annual raw ore production for the term of the mineral tenement, plans of the workings of the mine, and such information as may be prescribed or required in writing by the Director of Mines.

The holder of a prospecting licence or exploration licence shall send a written notice at least seven days before commencing exploration activities to the Director of Mines and the Director General of Geological Survey informing them of such intent. The MDA further provides that holder of the mining lease shall comply with the operational mining scheme approved by the Director of Mines and carry out development work on the mine and mining in accordance with such approved operational mining scheme. In the event of any failure by the holder of the mining lease in submitting an operational mining scheme or complying with the approved operational mining scheme, the holder shall be liable to a fine not exceeding RM100,000 (equivalent to USD31,476) or to imprisonment for a term not exceeding five years or to both.

The MDA stipulates that any holder of a mining lease or manager who uses water in connection with mining shall take such measures as to ensure that the water so used shall, before it leaves the mine or waste retention area in which it has been used, comply with such water quality standards as may be prescribed and where such standards have not been prescribed such water shall be reasonably free of solid matter and from chemicals and other substances deleterious to human, animal or vegetable life.

Gema Impak and Pacific Mining confirmed that they are in compliance with the conditions set out in the OMS and the statutory provisions set out in the MDA and Ben & Partners is not aware of any non-compliance by Pacific Mining in respect of the conditions set out in the OMS and the statutory provisions set out in the MDA.

### *Federated Malay States Mineral Ores Enactment Chapter 148 (“MOE”)*

The MOE consolidates the law relating to the purchase and smelting of mineral ores.

### *Mineral Ores Licence*

Pursuant to the MOE, the Mineral Ores Licence (“MOL”) is required for a person to purchase any mineral ore, to keep any factory or place for the purpose of smelting or otherwise treating mineral ore, or to keep any house, store, shop, place for the purpose of purchasing or storing therein any mineral ore other than such as has been raised from land in his own occupation.

The MOL shall be issued substantially in the form in Schedule A of the MOE. The holder of MOL shall not transfer or attempt to transfer the MOL unless the consent of the Warden of Mines of a State (“Warden”) is obtained. The Minister in charge of the responsibility for mining or the Warden has the discretion to cancel the MOL or any other licence.

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In addition, it shall be lawful for (a) the Warden to refuse to issue or renew a MOL for reasons to be stated by him in writing, if so required by the applicant; (b) the Warden to cancel any licence at any time, either upon application by the licensee for the withdrawal of the deposit, or upon the conviction of the licensee of any offence under this Enactment or on any charge involving fraudulent dealing; (c) the Warden in his discretion to cancel any sub-licence at any time; (d) the Minister in his discretion to cancel any licence without assigning any reason for so doing.

Capture Advance and Pacific Mining confirmed that they are in compliance with the conditions set out in the MOLs and the provisions of the MOE and Ben & Partners is not aware of any non-compliance by Capture Advance and Pacific Mining in respect of the conditions set out in the MOL and the provisions of the MOE.

### *Customs Duties Order 2007 (“CDO”) and Customs Act 1967 (“CA 1967”)*

The CDO is issued pursuant to the power conferred under the CA 1967 and governs the customs duties and rates for goods to be imported in and exported from Malaysia. As advised by Ben & Partners, no custom duty is payable in respect of export of iron ores from Malaysia pursuant to the CDO and the CA 1967.

Our Directors confirmed that we are in compliance with the provisions of the CDO and CA 1967 and Ben & Partners is not aware of any non-compliance of Capture Advance in respect of the provisions in the CDO and CA 1967.

### *Foreign Exchange Controls*

There are foreign exchange control rules and policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability.

The Central Bank of Malaysia (“**BNM**”), as agent of the Government on exchange control matters, administers the Exchange Control Act 1953 (“**ECA**”) since 1 August 1960 with the Governor as the Controller of Foreign Exchange. To complement the ECA, the Controller issues exchange control notices (“**ECM**”), Foreign Exchange Administration Rules (“**FEA Rules**”) and various circulars from time to time.

Pursuant to the current ECM of Malaysia and FEA Rules issued by BNM, there is no restriction for a non-resident to remit funds into Malaysia for investment and non-residents are free to invest in any form of Ringgit assets either as direct or portfolio investments. Further non-residents of Malaysia are free to repatriate any amount of its own funds in Malaysia at any time, including capital, divestment proceeds, profits, dividends, rental, fees and interest arising from investment in Malaysia.

Proceeds arising from the export of goods must be received and repatriated to Malaysia by the company as per the sales contract which should not exceed six months from the date of export. If the company’s annual gross export proceeds exceed RM50 million (equivalent to USD15.7 million) or its equivalent, the company is required to submit quarterly reports to the Controller of Foreign Exchange.

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There is no restriction/limit in respect of repatriation of money out of Malaysia which arises from investment in Malaysia pursuant to the FEA Rules. The FEA Rules further provides that a resident with no domestic ringgit credit facilities is allowed to grant a credit facility without limit to non-residents in foreign currency or in Ringgit. It is further provided in the FEA Rules for foreign currency credit facilities, any non-resident non-bank related companies are free to lend any amount in foreign currency to related resident companies in Malaysia. The resident company can obtain such foreign currency credit facilities from other non-resident companies (i.e. non-related companies) for an amount upto RM100 million equivalent in aggregate on a corporate group basis and the resident borrower is required to obtain prior permission of the Controller of Foreign Exchange for credit facilities exceeding the limit. Any resident non-bank companies with domestic ringgit credit facilities through conversion of ringgit is allowed to extend upto RM50 million in aggregate per calendar year on a corporate group basis to non-residents. The resident lender is required to obtain prior permission of the Controller of Foreign Exchange for extending credit facilities exceeding the limits. The act of not seeking permission of the Controller of Foreign Exchange when the amount of credit facilities borrowed/extended exceeds the prescribed threshold constitutes an offence under Paragraph 7(1), Fifth Schedule of the ECA and any person who commits such an offence shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding three years or to both and where the offence is concerned with any currency, any security, any gold, any goods or any other property, the court may order the currency, security, gold, goods or property to be forfeited.

Our Directors confirmed that Capture Advance's annual gross export proceeds for financial period ended 31 December 2012 do not exceed RM50 million (equivalent to USD15.7 million) and Capture Advance receives all its proceeds from the export of iron ores within six months from the date of export of the iron ores. On the above premise, Capture Advance does not need to submit the quarterly report to the Controller of Foreign Exchange as its annual gross export proceeds does not exceed RM50 million (equivalent to USD15.7 million) and Form 5E is also not required to be submitted by Capture Advance to the Director, Foreign Exchange Administration Department of BNM on the basis that Capture Advance receives all its proceeds from the export of iron ores within six months from the date of export of the iron ores.

### **Foreign Investment in Malaysia**

The laws, regulations and rules of Malaysia governing the acquisition of interests, mergers and take-overs of Malaysia corporation are set forth as follows:

(1) *The Malaysian Code on Take-overs and Mergers 2010 (the "Code")*

The Code and the practice notes are issued by the Security Commission of Malaysia pursuant to Section 217 of the Capital Markets and Services Act 2007 of Malaysia ("CMSA") and inter alia govern the conduct of all persons or parties involved in a take-over offer, merger or compulsory acquisition in relation to a company. "Company" is defined under Section 2(1) of the CMSA as having the meaning assigned to it in the Malaysia Companies Act 1965. "Company" is defined under the Malaysia Companies Act 1965 as a company incorporated pursuant to the Malaysia Companies Act 1965 or pursuant to any corresponding previous enactment.



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The Code inter alia stipulates that an acquirer is required to extend a mandatory general offer of the remaining shares in a company if (a) a person, or persons acting in concert who has obtained control of voting shares or voting rights of more than 33% in a company; or (b) a person, or persons acting in concert has acquired more than 2% of the voting shares or voting rights of a company in any period of six months and that acquirer's holding was more than 33% but not more than 50% of the voting shares or voting rights of the company during such six-month period, irrespective of how control or acquisition is to be effected, including by way of scheme of arrangement, compromise, amalgamation or selective capital reduction.

For the purpose of Part VI of Division 2 (Take-overs, Mergers and Compulsory Acquisition) of the CMSA, a "company" is defined in Section 216 of the CMSA as in relation to a company being taken over, means a public company whether or not it is listed on any stock exchange and any other entity as may be prescribed in the Code which includes (a) a company that is incorporated outside of Malaysia but listed on any stock exchange in Malaysia; and (b) a real estate investment trust that is listed on any stock exchange in Malaysia. Under the CMSA, "private company" and "public company" have the meanings assigned to them in the Malaysia Companies Act 1965.

"Private company" is defined under the Malaysia Companies Act 1965 as (a) any company which immediately prior to the commencement of the Malaysia Companies Act 1965 was a private company under the repealed written laws; (b) any company incorporated as a private company pursuant to the Malaysia Companies Act 1965; or (c) any company converted into a private company pursuant to the Malaysia Companies Act 1965. "Public company" is defined under the Malaysia Companies Act 1965 as a company other than a private company.

The Code also provides that a mandatory offer applies to a person who intends or has obtained control in an upstream entity which holds or is entitled to exercise or control the exercise of, more than 33% of the voting shares or voting rights of a downstream company and the upstream entity has a significant degree of influence in the downstream company.

As Capture Advance and Pacific Mining are private companies incorporated pursuant to the Malaysia Companies Act 1965 and wholly owned subsidiary of Best Sparkle, the Code is currently not applicable to Capture Advance and Pacific Mining.

### (2) *National Mineral Policy II*

Pursuant to Malaysia's National Mineral Policy II, the Malaysian government currently permits foreign entities exploring minerals in Malaysia to own 100% equity participation for projects which involve the extraction, mining or processing of mineral ores.

### ***Environmental Quality Act 1974 ("EQA")***

The EQA regulates the prevention, abatement, control of pollution and enhancement of the environment.

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### *Scheduled Wastes*

A person is prohibited from (a) placing, depositing or disposing of, or causing or permitting to place, deposit or dispose of, except at prescribed premises only, any scheduled wastes on land or into Malaysian waters; (b) receiving or sending, or causing or permitting to be received or sent any scheduled wastes in or out of Malaysia; or (c) transiting or causing or permitting the transit of scheduled wastes, without the prior approval of the Director General of Environmental Quality. Failing which, such person shall be guilty of an offence under the EQA and shall on conviction be punished with imprisonment for a term not exceeding five years and shall also be liable to a fine not exceeding RM500,000 (equivalent to USD157,381).

The Environmental Quality (Scheduled Wastes) Regulations 2005 (“EQSWR”) on the other hand requires, inter alia: (i) notification to the Director General of Environmental Quality in writing of the generation of any scheduled wastes within thirty days of its generation; (ii) scheduled wastes to be disposed of at prescribed premises only; (iii) scheduled wastes to be treated at prescribed premises or at on-site treatment facilities only; (iv) every waste generator to ensure that scheduled wastes generated by him are properly stored, treated on-site, recovered on-site for material or product from such scheduled wastes or delivered to and received at prescribed premises for treatment, disposal or recovery of material or product from scheduled wastes; (v) scheduled wastes shall be stored in containers which are compatible with the scheduled wastes to be stored, durable and which are able to prevent spillage or leakage of the scheduled wastes into the environment and the containers of the scheduled wastes are to be clearly labelled and marked for identification and warning purposes; (vi) a waste generator shall keep accurate and up-to-date inventory of the categories and quantities of scheduled wastes being generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period up to three years from the date the scheduled wastes was generated; and (vii) in the event of any spill or accidental discharge of any scheduled wastes, the contractor responsible for the waste shall immediately inform the Director General of the occurrence.

Our Directors confirmed that there is no waste which falls within the meaning of scheduled wastes pursuant to the EQSWR being produced during the mining operations.

Any person who is reasonably suspected of having committed the offence under EQSWR, be liable to a fine of not exceeding RM2,000 (equivalent to USD630).

### *Clean Air*

Unless licensed, EQA prohibits a person from emitting or discharging any environmentally hazardous substances, pollutants or wastes into the atmosphere in contravention of the acceptable conditions stipulated in the Environmental Quality (Clean Air) Regulations 1978 (“EQCAR”).

A person shall be deemed to emit or discharge wastes into the atmosphere if: (a) he places any matter in a place where it may be released into the atmosphere; (b) he causes or permits the discharge of odours which by virtue of their nature, concentration, volume or extent are obnoxious or offensive; (c) he burns away wastes of the trade, process or industry; or (d) he uses any fuel burning equipment not equipped with any device or control equipment required to be fitted to such equipment.

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Any person who emit or discharge wastes into the atmosphere shall be liable to a fine not exceeding RM100,000 (equivalent to USD31,476) or to imprisonment for a period not exceeding five years or to both and to a further fine not exceeding RM1,000 (equivalent to USD315) a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

The EQCAR sets out inter alia the relevant standards for emission of substances and the prescribed limits thereof. It further provides that an occupier of any industrial or trade premises shall use the best practicable means to prevent the emission of noxious or offensive substances and to render harmless and inoffensive those substances necessarily discharged. Failing which, such person shall be liable to a fine not exceeding RM10,000 (equivalent to USD3,148) or to a term of imprisonment not exceeding two years or to both and to a further fine not exceeding RM1,000 (equivalent to USD315) a day for every day that the offence is continued after a notice by the Director-General requiring him to cease the act specified therein has been served upon him.

The EQCAR also requires any person intending to erect, install, resite or alter equipment, plant or facility used for the purpose of heating or generation of power that is rated to consume pulverised fuel or any solid fuel at thirty kg or more per hour or any liquid or gaseous matter at fifteen kg or more per hour, shall obtain prior written approval from the Director-General. Failing which, such person shall be guilty of an offence under Regulation 56 of the EQCAR and shall be liable to a fine not exceeding RM5,000 (equivalent to USD1,574) or to a term of imprisonment not exceeding one year or to both.

Our Directors confirmed that liquid or gaseous matter pulverised on the Ibam Mine is not more than fifteen kg per hour and on this basis, the written approval of the Director-General is not required for Capture Advance to install the diesel generators or any equipment related thereto on the Ibam Mine.

### *Employment Act 1955 (“EPA”)*

The EPA regulates all labour relations including contracts of service, payment of wages, employment of women, rest days, hours of work, termination, lay-off and retirement benefits and keeping of registers of employees.

Every employer is required to prepare and keep the registers of employees in the prescribed form. Unless otherwise permitted by the Director General, the register of employees required to be kept under Employment Regulations 1957 (“ER”) in the office within the place of employment where employees are employed and shall make such register of employees available for inspection by the Director General as and when required to do so.

Any contravention to the EPA shall be deemed an offence, and in the event no specific penalty is provided, the employer shall be liable to a fine not exceeding RM10,000 (equivalent to USD3,148).

Our Directors confirmed that we are in compliance with the provisions of the EPA and Ben & Partners is not aware of any non-compliance of Capture Advance in respect of the provisions in the EPA.

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### *Employment (Restriction) Act 1968 (“ERA”)*

The ERA prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit.

The employment of foreign workers is subject to the approval of the Ministry of Home Affairs Malaysia, which imposes conditions, amongst other things, on the number, the positions, the duration of employment and the sources or country of origin of the foreign workers. Upon obtaining the approval from the Ministry of Home Affairs Malaysia, the Company is required to submit applications for Visit Pass (Temporary Employment) to the Foreign Workers Division, Immigration Department of Malaysia. The approval of the Visit Pass (Temporary Employment) can be revoked if its conditions are contravened.

Generally, the application process for a valid employment visa, or known as employment pass (expatriate personnel) in Malaysia, involves two stages. For a company not in possession of a manufacturing licence, an application for the expatriate position, must first be approved by Expatriate Committee. Expatriate Committee will usually consider the minimum paid-up capital of the company, company’s activities, local human resource, relevance of post to company’s activities, monthly income and age and working experience of the expatriate for the position applied for, in assessing the application. After obtaining the Expatriate Committee’s approval for the position, the applicant will then need to submit an application to the Immigration Department of Malaysia for an endorsement of employment pass. The Immigration Department of Malaysia will usually approve the application if the expatriate has an employment contract with the employer for at least two years and the monthly salary in excess of RM3,000 (equivalent to USD944) per month.

Under Section 18 of the ERA, any person, who fails to comply with Section 5 or 13 (registration of non-citizen) of the ERA shall be guilty of an offence and shall on conviction be liable to a fine not exceeding five thousand ringgit (RM5,000) or to imprisonment for a term not exceeding one (1) year or both.

Our Directors confirmed that we are in compliance with the provisions of the ERA.

### *Immigration Act 1959/1963 (“IA”) and Immigration Regulations 1963 (“IR”)*

The IA provides that no person other than a citizen shall enter Malaysia unless (i) he is in possession of a valid Entry Permit lawfully issued to him; (ii) his name is endorsed upon a valid Entry Permit, and he is in the company of the holder of the Permit; (iii) he is in possession of a valid Pass lawfully issued to him to enter Malaysia; or (iv) he is exempted from Section 6(1) of the IA by an order made under Section 55 of the IA.

Any person who contravenes Section 6(1) of the IA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM10,000 (equivalent to USD3,148) or to imprisonment for a term not exceeding five years or to both, and shall also be liable to whipping of not more than six strokes.

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The IA requires that any person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid employment pass shall be guilty of an offence and shall on conviction, be liable to a fine of not less than RM10,000 (equivalent to USD3,148) but not more than RM50,000 (equivalent to USD15,738) or to imprisonment for a term not exceeding twelve months or to both for each such employee. The IA further provides that where the above offence has been committed by a body corporate, any person who at the time of the commission of the offence was a member of the board of directors, a manager, a secretary or a person holding an office or a position similar to that of a manager or secretary of the body corporate shall be guilty of the offence and shall be liable to the same punishment to which the body corporate is liable, unless he can prove that the offence was committed without his knowledge or connivance; or that he took all reasonable precaution; and exercised all due diligence, to prevent the commission of the offence as he ought to have taken and exercised having regard the nature of his functions in that capacity and to all the circumstances.

The IR provides that subject to the provisions of this regulation, an employment pass may be issued by the Controller to any person other than a prohibited immigrant who satisfies the Controller that he wishes to enter the Federation (otherwise than as a visitor, tourist, transit passenger or student) in order to take up employment under a contract of service with the Government of the Federation or of any State in the Federation or of any City Council or Municipality in the Federation or to take up employment in the Federation under a contract —

- (i) for a minimum period of two years employment in the Federation with a company or firm approved for the purposes of this sub-paragraph; and
- (ii) under which such person is entitled to a salary of not less than RM1,200 (equivalent to USD378) per month,

provided that where the Controller is satisfied that no person resident in the Federation is available to undertake employment of the kind referred to in any such contract, and that it would be unreasonable to expect an employer to pay such a salary, he may waive the requirements of this sub-paragraph.

Every employment pass issued to any person under the provisions of the IR shall be subject to the condition that during the validity of the employment pass the holder shall not without the consent in writing of the Controller engage in any form of paid employment or in any business or professional occupation in the Federation, other than such particular employment, business or professional occupation as shall be specified in such employment pass.

Mr. Li and Mr. Diao Dalin previously did not hold valid employment passes but they have rectified their employment passes and are currently holding valid employment passes. Ben & Partners is of the view that Mr. Li and Mr. Diao Dalin's past contravention of the ERA and the IA was an offence under the ERA and IA, Mr. Li, Mr. Diao Dalin and Capture Advance shall on conviction be liable to a fine not exceeding RM5,000 (equivalent to USD1,574) or to imprisonment for a term not exceeding one year or both under the ERA and be liable to a fine of not less than RM10,000 (equivalent to USD3,148) but not more than RM50,000 (equivalent to USD15,738) or to imprisonment for a term not exceeding twelve months or both under the IA.

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As advised by Ben & Partners, pursuant to their enquiries made with the Department of Labour, Pahang, the enforcement authority will not normally proceed to prosecute or fine the above-mentioned employees for working in Malaysia without a valid employment passes so long as the rectification has been made before it comes to the knowledge of the Department of Labour, Pahang.

### *Occupational Safety and Health Act 1994 (“OSHA”)*

The OSHA regulates the safety, health and welfare of persons at work.

The OSHA requires every employer and every self-employed person to (a) ensure, so far as is practicable, the safety, health and welfare at work of all its employees; (b) prepare and as often as may be appropriate revise a written statement of its general policy with respect to the safety and health at work of its employees and the organization and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of its employees; and; (c) conduct its undertaking in such a manner as to ensure, so far as is practicable, that it and other persons, not being his employees, who may be affected thereby are not thereby exposed to risks to their safety or health. Failing which, the employer be liable to a fine not exceeding RM50,000 (equivalent to USD15,738) or to imprisonment for a term not exceeding two years or to both.

Our Directors confirmed that we are in compliance with the provisions of the OSHA.

### *Street, Drainage and Building Act 1974 (“SDBA”) and Building (Pahang) By-Laws 1996 (“BPBL”)*

The SDBA is an act to amend and consolidate the laws relating to street, drainage and building in local authority in Peninsular Malaysia. It provides that the State Authority shall have the power to make by-laws for or in respect of every purpose which is deemed by him necessary for carrying out the provisions of the SDBA.

The BPBL is issued pursuant to the power conferred under Section 133 of the SDBA and inter alia provides for construction of buildings and time, manner and procedure for the issuance of the certificate of completion and compliance (“CCC”). Pursuant to the BPBL, CCC is to be issued by a qualified person (i.e. Professional Architect, Professional Engineer or building draughtsman) who submits building plans to the local authority for approval and a temporary permit for a limited time may be issued by the local authority for inter alia the erection of a builders’ working shed or a store or other shed to be used in connection with building works.

We have a temporary workers quarters erected on the Ibam Mine. We have on 22 October 2012 obtained from Rompin District Council (“MDRP”) the temporary permit in respect of the worker quarters erected on the Ibam Mine, the same has been renewed on 22 January 2013 and will expire on June 2013 and further renewed on 30 April 2013 with a validity period up to December 2013.

Our Directors are of the view that the Group will, barring unforeseen circumstances, be able to comply with the safety measures, conditions and requirements stipulated by MDRP.

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Based on the foregoing, Ben & Partners is not aware of any legal impediment for renewal of temporary permit.

*Local Government Act 1976 (“LGA”), Licensing of Trade, Business and Industries (Kuantan Municipal Council) By-Laws 1983 (“LTBIB”) and Licensing of Trade, Business and Industries (Rompin District Council) By-Laws 1992 (“LTBIBR”)*

The LGA is an act to revise and consolidate the laws relating to local government. It provides that every local authority shall have the powers to make by-laws conferred upon it by the LGA including but not limited to maintenance of health, safety and well-being of inhabitants of the local authority area.

The LTBIB and LTBIBR are issued respectively pursuant to the powers conferred under the LGA.

The LGA provides that a local authority in granting of any licence or permit may prescribe the fees for such licence or permit and the charges for the inspection or supervision of any trade, occupation or premises in respect of which the licence is granted. Every licence or permit granted shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

Every person to whom a licence has been granted shall exhibit his licence at all times in some prominent place on the licensed premises and shall produce such licence if required to do so by any officer of the local authority authorized to demand the same. The LGA further provides that any person who fails to exhibit or to produce such licence shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM500 (equivalent to USD157) or to imprisonment for a term not exceeding six months or to both.

Every person who is guilty of any offence against the LGA or any by-law, rule or regulation for which no penalty is expressly provided shall on conviction be liable to a fine not exceeding RM2,000 (equivalent to USD630) or to a term of imprisonment not exceeding one (1) year or to both.

Both the LTBIB and LTBIBR provide that no person shall use any place or premises, within the MPK and MDRP, as the case may be, for any trade, business or industry of which fees have been prescribed in the Schedule to the LTBIB and LTBIBR, respectively without a licence issued by MPK and MDRP, as the case may be. Both the LTBIB and LTBIBR further provides that any person who contravenes any of the provision of the LTBIB and LTBIBR, as the case may be, shall be guilty of an offence and is liable on conviction to a fine not exceeding RM2,000 (equivalent to USD630) and to a further fine not exceeding RM200 (equivalent to USD63) for every day during which the offence is continued after conviction.

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Our Directors confirmed that we are in compliance with the provisions of the LGA, LTBIB and LTBIBR and Ben & Partners is not aware of any non-compliance of Capture Advance in respect of the provisions in the LGA, LTBIB and LTBIBR, save as disclosed below.

Capture Advance has obtained a business licence for the Ibam Mine issued by MDRP. The said licence is valid from January 2012 to December 2012. Notwithstanding the above, Ben & Partners advised that Capture Advance did not obtain any business licence for the Ibam Mine prior to the said business licence above. As advised by Ben & Partners pursuant to their enquiries with MDRP, the enforcement authority of MDRP will not normally proceed to prosecute or fine companies and/or its directors or officers for not obtaining a valid business licence prior to commencement of business activities at the District of Rompin, Pahang as long as a valid licence has been obtained.

### ***Control of Supplies Act 1961 (“CSA”)***

The CSA provides that any person who removes any controlled article or causes or permits any controlled article to be removed from any premises specified in the licence or stores any controlled article or causes or permits any controlled article to be stored in any premises, other than premises specified in the licence or premises approved by the controller (the officer appointed to be Controller of Supplies appointed by the Yang di-Pertuan Agong of Malaysia, i.e. the Supreme Head of Malaysia) for such storage, shall be guilty of an offence against the CSA.

For instance, storage of diesel without a diesel storage licence constitutes an offence under the CSA and any body corporate which commits an offence against the CSA shall, on conviction, be liable to a fine not exceeding RM250,000 (equivalent to USD78,691) and, for a second or subsequent offence, to a fine not exceeding RM500,000 (equivalent to USD157,381).

Capture Advance has obtained a permit issued by the Ministry of Domestic Trade and Consumer Affairs approving Capture Advance to store 40,000 litres of diesel on the Ibam Mine. The said permit is valid from 5 June 2012 to 4 June 2013. Our Directors confirmed that we were in compliance with the terms and conditions of the said permit.

Notwithstanding the above, Ben & Partners advised that Capture Advance did not obtain any permit to store diesel on the Ibam Mine prior to the said permit above. As advised by Ben & Partners pursuant to their enquiries with the Domestic Trade, Co-operatives & Consumerism in Rompin, Pahang, the enforcement authority will not normally proceed to prosecute or fine us and/or our directors or officers for our previous failure to obtain a permit for diesel storage as long as we are currently holding valid permit for diesel storage. Capture Advance has on 8 May 2013 submitted the application for renewal to the Ministry of Domestic Trade and Consumer Affairs, and has obtained the renewed permit on 12 June 2013 with validity period from 12 June 2013 to 11 June 2014. Please refer to the section headed “Business — The Ibam Mine — Licences and permits” in this prospectus for further details.

### ***Factories and Machinery Act 1967 (“FMA”)***

The FMA regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all



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parties involved. This shall include a written approval of an Inspector of Factories and Machinery to be obtained when a person is to install or cause to be installed any machinery in any factory and any machinery in respect of which a certificate of fitness is prescribed (i.e. boiler, unfired pressure vessel, hoisting machine and lift and escalator). Contravention of the FMA may result in such person being liable to a fine not exceeding RM100,000 (equivalent to USD31,476) or to imprisonment for a term not exceeding two years or to both. For the purpose of obtaining such approval, there shall be submitted to the Inspector such particulars as prescribed in the Form JKJ 105 as per Regulation 7(1) of the Factories And Machinery (Notification, Certificate Of Fitness And Inspection) Regulations 1970. Upon obtaining such approval, the applicant shall submit the Form JKJ 101 (Notice of First Occupation of a Factory) to the State Department of Occupational Safety and Health. In the event of any contravention, an Inspector of Factories and Machinery shall forthwith serve upon such person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued, if any.

Any person who contravenes any other provision of the FMA or any regulation made under the FMA for which contravention no penalty is expressly provided shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 (equivalent to USD15,738) or to imprisonment for a term not exceeding one year or to both.

As advised by Ben & Partners pursuant to their enquiries with the Department of Occupational Safety and Health in the Federal Territory of Putrajaya, the enforcement authority of the Department of Occupational Safety and Health will not normally proceed to prosecute or fine operators of the machineries who has commenced installation and operation of the machineries before submitting the details of machineries vide Form JKJ 105 to the Department of Occupational Safety and Health.

Capture Advance has in May 2012 submitted an application to the Department of Occupational Safety and Health, Pahang, for the inspector to conduct an initial inspection and testing prior to issuing a permit to install the machineries listed therein. Capture Advance has on 7 November 2012 obtained the permit to install all machineries currently being operated on the Ibam Mine from the authorities. Our Directors are of the view that the Group will, barring unforeseen circumstances, be able to comply with the terms and conditions imposed by the Department of Occupational Safety and Health, Pahang and the statutory conditions set out in the FMA and the FMR.

Based on the foregoing, Ben & Partners is not aware of any legal impediment for passing the regular fifteen-monthly inspection to be conducted by the Department of Occupational Safety and Health, Pahang.

### ***Industrial Co-Ordination Act 1975***

For avoidance of doubt, as advised by Ben & Partners upon enquiries made with the Malaysian Investment Development Authority (“MIDA”), the authority that issues the manufacturing licence, our Group’s mining and beneficiation operations at the Ibam Mine and its historical beneficiation operations at the Ibam Mine do not constitute “manufacturing activity” under the Industrial Co-Ordination Act 1975 as the end products remain in original and ore form as a mineral and is not a manufactured product, the process of turning the mineral ores from its original form to the end product is one of the key determining factor to whether a manufacturing licence is required. It was

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further confirmed that as long the processing of iron ores does not involve any chemical substance, it will not amount to a manufacturing activity and hence a manufacturing licence is not required under the laws of Malaysia. Based on the foregoing, our Directors confirmed that a manufacturing licence is not required for our mining and beneficiation operations at the Ibam Mine.

Ben & Partners confirmed the competency of all officers who had rendered their respective advices (as set forth in this Prospectus) to Ben & Partners when relevant enquiries were/have been/are made.

### SUMMARY OF JORC CODE

The mineral resource and reserve statements in this prospectus have been prepared in accordance with the JORC Code, which is summarised as below.

The JORC Code is an internationally accepted Mineral Resource/Ore Reserve classification system established in Australia. It was first published in February 1989 and most recently revised in December 2004. The JORC Code is commonly used in independent technical reports for Mineral Resource and Ore Reserve statements of public companies reporting to the Stock Exchange.

The JORC Code defines “Mineral Resource” as a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resource are subdivided, in order of decreasing geological confidence, into measured, indicated and inferred categories, which are further described as follows:

- Measured Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.
- Indicated Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

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- Inferred Mineral Resource is that part of Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

The JORC Code defines “Ore Reserve” as the economically mineable part of a measured and/or indicated mineral resource. The JORC Code deems inferred mineral resources to be too poorly delineated to be transferred into an Ore Reserve category. Reserves must account for diluting materials and losses which may occur when the material is mined. In order to declare reserves, an issuer must also complete relevant assessments and studies, including consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and government factors. This includes an assessment of mining dilution, mining losses and a comprehensive level of mine planning, design and scheduling. These assessments need to demonstrate at the time of reporting that extraction of the applicable measured and indicated resources that form the basis of the reserves could reasonably be justified. Ore Reserve are sub-divided in order of decreasing confidence into proven ore reserves and probable ore reserves, which are further described as follows:

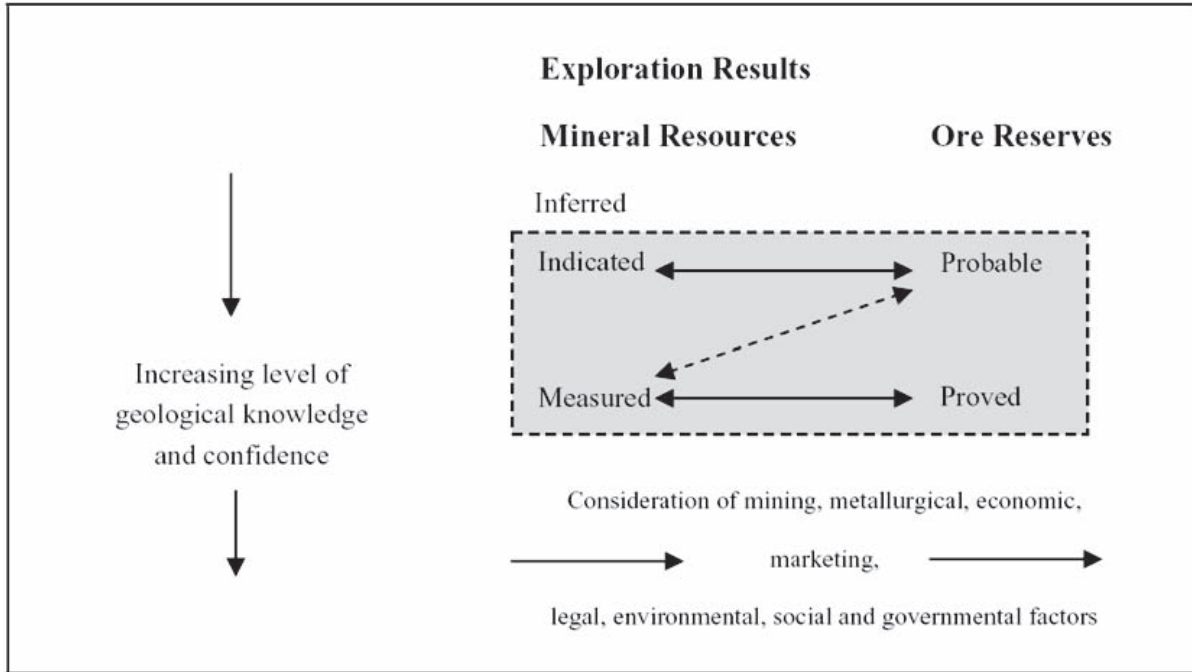
- A ‘Proved Ore Reserve’ is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of Ore Reserve estimates. This requires detailed exploration and quality data “points of observation” to provide high geological confidence; and
- A ‘Probable Ore Reserve’ is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but has adequate reliability as the basis of mining studies.

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## REGULATIONS AND JORC CODE

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The following diagram summarises the general relationship between exploration results, Mineral Resource and Ore Reserve under the JORC Code:



Ore Reserves are generally quoted as comprising a portion of the total Mineral Resource rather than the Mineral Resources being additional to the Ore Reserves quoted. Under the JORC Code either procedure is acceptable, provided the method adopted is clearly identified.

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## HISTORY AND CORPORATE STRUCTURE

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### BUSINESS DEVELOPMENT OF OUR GROUP

#### Introduction

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 25 April 2012. Our Group was founded by Mr. Li Dongming, aged 57, Mr. Li's father. Our history can be traced back to 2007 when Mr. Li Dongming commenced exploring mining investment opportunities in Malaysia. Prior to the establishment of our Group, Mr. Li Dongming was mainly engaged in investment business in the PRC including in the area of natural resources. Mr. Li Dongming's involvement in mining project was mainly identifying suitable mine investment projects and he was occasionally involved in management of mining operation. Mr. Li Dongming obtained his initial funding from his investment business in the PRC to subsequently venture into the iron ore business. During mid-2000's and prior to the global financial crisis in 2008, global mineral commodities prices went up substantially over the years and the demand for iron ore in the PRC continued to grow rapidly. Mr. Li Dongming was an investor in a coal mining project in Gong County of Sichuan Province, PRC, namely Gong-County Guandou Yuejin Lianban Coal Mine Technology Advancement Project (珙縣觀斗躍進聯辦煤礦技改項目) and another coal mining project in Wenxian County of Sichuan Province, PRC, namely Wenxin-County Huangchangwan Coal Mine Technology Advancement Project (文興縣礦廠灣煤礦技改項目) between March 2004 and May 2007, and recognized the potential of the mining industry. In 2007, Mr. Li Dongming was invited by a company involved in mining investment in Malaysia to explore mining investment opportunities in Malaysia. Attracted by the development potential of iron ore industry in Malaysia, Mr. Li Dongming began to invest in the iron ore industry in Malaysia in 2007.

As part of the succession planning of Mr. Li Dongming, his son, Mr. Li, started to work for our Group after graduation from university in December 2009, and Mr. Li Dongming transferred his interests in our Group to Mr. Li as from 23 August 2010, the date on which Capture Advantage was incorporated to subsequently become the holding company of the Group's mining business in Malaysia. As at the Latest Practicable Date, Mr. Li Dongming did not have any shareholding interests in our Company and Mr. Li is our Controlling Shareholder.

Our primary business operations include iron ore mining, crushing and beneficiation as well as the sale of iron ore products in the form of iron ore concentrates and iron ore fines. We sell our iron ore products primarily to steel manufacturers and/or their respective purchase agents in the PRC.

#### Key events of our Group's business development

Time	Key events
October 2007	Mr. Li Dongming commenced exploring mining opportunities in Malaysia.
February 2008	Kuantan Warehouse was built in Pahang State, Malaysia and two on-site crushing lines were installed.

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## HISTORY AND CORPORATE STRUCTURE

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<b>Time</b>	<b>Key events</b>
November 2008	We undertook the preliminary study in respect of Ibam Mine and considered that Ibam Mine had significant iron ore reserves and resources. We reached consensus with the then shareholders of Gema Impak to jointly explore the Ibam Mine.
August 2009	Gema Impak obtained the Prospecting Licence in respect of the Ibam Mine.
October 2009	We entered into the Mining Agreement with Gema Impak and commenced prospecting activities in respect of the Ibam Mine immediately thereafter.
June 2010	We entered into a cooperation agreement with Comprehensive Rock Ore Testing Centre, pursuant to which Comprehensive Rock Ore Testing Centre will provide analysis and advice on iron ore beneficiation procedures in respect of Project Ibam.
December 2010	Gema Impak obtained the Mining Lease and we, through the Mining Contractor, commenced mining activities in respect of the Ibam Mine.
January 2011	We recorded the sale of the first batch of iron ore products from Project Ibam.
April 2011	We received the formal report from Comprehensive Rock Ore Testing Centre in respect of iron ore beneficiation procedures for Project Ibam, and our first beneficiation line at the Ibam Mine was subsequently installed in September 2011.
December 2011	A total of two crushing lines and two beneficiation lines were in operation.
Latest Practicable Date	A total of two crushing lines and six beneficiation lines were in operation.

### **CORPORATE HISTORY OF OUR SUBSIDIARIES**

The following sets forth the respective corporate history of our subsidiaries since their respective date of incorporation.

#### **Capture Advantage**

Capture Advantage was our Group's main contracting entity in respect of iron ore sales agreements with our customers, the function of which was replaced by Bright Mining upon its incorporation in April 2012. Capture Advantage was an investment holding company as at the Latest Practicable Date.

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## HISTORY AND CORPORATE STRUCTURE

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Capture Advantage was incorporated in the BVI with limited liability on 23 August 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. The issuance and/or allotment of shares and the share transfers since incorporation are set out below:

Date of transfer and/or allotment	Transferor	Transferee and/or allottee	Number of shares involved and the represented percentage of shareholding in the company	Consideration <i>(Note 9)</i>
23 August 2010 (incorporation date) <i>(Note 1)</i>	Issuance and allotment of shares	Mr. Li Ms. Li Xiaolan	25,000 shares (50%) 25,000 shares (50%)	Fully paid at par Fully paid at par
15 November 2010 <i>(Notes 2, 3 &amp; 4)</i>	Ms. Li Xiaolan Ms. Li Xiaolan Ms. Li Xiaolan Ms. Li Xiaolan Ms. Li Xiaolan	Mr. Li Mr. Liu Li Ms. Yang Yiwei Ms. Liu Ping Mr. Yang Jun	12,500 shares (25%) 5,290 shares (10.58%) 3,060 shares (6.12%) 2,650 shares (5.3%) 1,500 shares (3%)	US\$12,500 US\$5,290 US\$3,060 US\$2,650 US\$1,500
5 May 2011 <i>(Note 5)</i>	Mr. Liu Li Ms. Yang Yiwei Ms. Liu Ping Mr. Yang Jun	Ms. Jin Lixuan Ms. Jin Lixuan Ms. Jin Lixuan Ms. Jin Lixuan	903 shares (1.8%) 230 shares (0.46%) 200 shares (0.4%) 750 shares (1.5%)	Total consideration of US\$2,000
26 May 2011 <i>(Note 6)</i>	Ms. Jin Lixuan	Mr. Liu Li	83 shares (0.16%)	Nil
5 July 2011 13 February 2012 <i>(Note 7)</i>	Mr. Liu Li Mr. Liu Li	Mr. Yang Jun Mr. Yang Jun	2,500 shares (5%) 1,220 shares (2.44%)	Total consideration of US\$1,576,744
13 February 2012 <i>(Note 8)</i>	Mr. Liu Li	Mr. Gao Pengxiang	750 shares (1.5%)	US\$477,000

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## HISTORY AND CORPORATE STRUCTURE

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After the share transfer and/or allotment referred to above and immediately before the Listing, Capture Advantage was beneficially owned by Mr. Li as to 75%, Mr. Yang Jun as to 8.94%, Ms. Yang Yiwei as to 5.66%, Ms. Liu Ping as to 4.9%, Ms. Jin Lixuan as to 4% and Mr. Gao Pengxiang as to 1.5%.

*Note 1: During the period between 23 August 2010 and 15 November 2010, Ms. Li Xiaolan, as legal owner of 50% shareholding interest in Capture Advantage, held 25% shareholding interest on trust for Mr. Li, 10.58% shareholding interest on trust for Mr. Liu Li, 6.12% shareholding interest on trust for Ms. Yang Yiwei, 5.3% shareholding interest on trust for Ms. Liu Ping, and 3% shareholding interest on trust for Mr. Yang Jun.*

*Note 2: Mr. Liu Li is the son of Mr. Wang Er, one of our executive Directors.*

*Note 3: Ms. Yang Yiwei is the daughter of Ms. Li. Xiaolan, one of our executive Directors.*

*Note 4: In early 2008, Mr. Li Dongming, Mr. Li, Mr. Liu Li, Ms. Yang Yiwei, Ms. Liu Ping and Mr. Yang Jun, after arm's length negotiations, reached an agreement to invest in mining business in Malaysia, pursuant to which the said share transfers effected in November 2010 were in preparation for Best Sparkle's acquisition of 100% shareholding interest in Capture Advance in December 2010, so that each of Mr. Li, Mr. Liu Li, Ms. Yang Yiwei, Ms. Liu Ping and Mr. Yang Jun would acquire indirect shareholding interest in Capture Advance in recognition of their prior and/or anticipated financial contribution to our mining business in Malaysia. As at the Latest Practicable Date, Mr. Li Dongming, Mr. Li, Mr. Liu Li, Ms. Yang Yiwei, Ms. Liu Ping and Mr. Yang Jun made financial contributions equivalent to approximately US\$1,702,830, US\$11,262,737, US\$2,070,918, US\$4,276,862, US\$2,468,553 and US\$2,120,860, respectively, to our mining business in Malaysia.*

*Note 5: After arm's length negotiation, the share transfers were effected pursuant to a share transfer agreement dated 11 May 2011 to record the arrangement pertaining to the share transfers, pursuant to which Ms. Jin Lixuan further agreed to make financial contribution equivalent to US\$820,000 to Capture Advantage's operating capital.*

*Note 6: The share transfer was effected pursuant to another share transfer agreement dated 11 May 2011, pursuant to which Ms. Jin Lixuan shall transfer 83 shares back to Mr. Liu Li at nil consideration in the event that there is no capital injection from other investors into Capture Advantage within two months upon completion of the share transfers on 5 May 2011 as referred to in Note 5 above.*

*Note 7: The share transfers were effected pursuant to a share transfer agreement dated 21 June 2011, pursuant to which Mr. Yang Jun further agreed to make financial contribution equivalent to US\$1,000,000 to Capture Advantage's operating capital.*

*Note 8: The share transfer was effected pursuant to a share transfer agreement dated 5 January 2012, pursuant to which Mr. Gao Pengxiang further agreed to make financial contribution equivalent to US\$1,523,000 to Capture Advantage's operating capital.*

*Note 9: The share transfer and/or allotment of shares referred to in this sub-section have been duly completed and the consideration has been fully settled as at the Latest Practicable Date.*

For the subsequent share transfers as part of the Reorganization, please refer to the details set out in the sub-section headed "Share Transfers and Share Swap" below.

### **Best Sparkle**

Best Sparkle was and had been an investment holding company during the Track Record Period and as at the Latest Practicable Date.



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## HISTORY AND CORPORATE STRUCTURE

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Best Sparkle was incorporated in the BVI with limited liability on 25 August 2010 with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each of a single class. Upon incorporation, 50,000 shares of Best Sparkle were issued and allotted to Capture Advantage at par as fully paid. As at the Latest Practicable Date, Best Sparkle remained as the wholly-owned subsidiary of Capture Advantage.

### Capture Advance

Capture Advance had been our principal operating entity in respect of our mining business during the Track Record Period and as at the Latest Practicable Date.

Capture Advance was incorporated in Malaysia on 15 November 2007 with an authorised share capital of RM100,000 divided into 100,000 shares of RM1.00 each. The authorised share capital of Capture Advance was subsequently increased to RM10,000,000 divided into 10,000,000 shares of RM1.00 each on 6 August 2008; and further increased to RM25,000,000 divided into 25,000,000 shares of RM1.00 each on 19 October 2011. The issuance and/or allotment of shares and the share transfers since incorporation are set out below:

Date of transfer and/or allotment	Transferor	Transferee and/or allottee	Number of shares involved and the represented percentage of shareholding in the company	Consideration (Note 5)
15 November 2007 (incorporation date)	Issuance and allotment of shares	Noraini Binti Abdullah Zainudin Bin Koming	1 share (50%) 1 share (50%)	Fully paid at par Fully paid at par
14 December 2007	Noraini Binti Abdullah Zainudin Bin Koming	Jack Xu Timothy Chen Teen Hing	1 share (50%) 1 share (50%)	RM1.00 RM1.00
18 March 2008 (Note 1)	Jack Xu Timothy Chen Teen Hing	Zhong Danni Li Dongming	1 share (50%) 1 share (50%)	RM1.00 RM1.00
6 August 2008	Issuance and allotment of shares	Zhong Danni Li Dongming	4,999,999 shares (49.99%) 4,999,999 shares (49.99%)	Fully paid at par Fully paid at par
20 February 2009 (Note 2)	Zhong Danni Li Dongming	Capture Acme Capture Acme	5,000,000 shares (50%) 5,000,000 shares (50%)	RM5,000,000 RM5,000,000
9 December 2009 (Note 3)	Capture Acme	Chengdu Hande	10,000,000 shares (100%)	RM10,000,000
22 December 2010 (Note 4)	Chengdu Hande	Best Sparkle	10,000,000 shares (100%)	RM10,000,000

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## HISTORY AND CORPORATE STRUCTURE

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Date of transfer and/or allotment	Transferor	Transferee and/or allottee	Number of shares involved and the represented percentage of shareholding in the company	Consideration (Note 5)
19 October 2011	Issuance and allotment of shares	Best Sparkle	5,000,000 shares	Fully paid at par

Capture Advance had been our Group's wholly-owned subsidiary as from 22 December 2010 and as at the Latest Practicable Date.

*Note 1: Mr. Li Dongming together with his then business partner Ms. Zhong Danni, an Independent Third Party, acquired all of the shareholding interest in Capture Advance in preparation for investment on Besol Mine and Talam Mine.*

*Note 2: During the period when Capture Acme was the shareholder of Capture Advance, Capture Acme was wholly owned by Mr. Li Dongming and the consideration was determined after arm's length negotiation between Ms. Zhong Danni and Mr. Li Dongming.*

*Note 3: During the period between 9 December 2009 and 21 December 2010 when Chengdu Hande was the shareholder of Capture Advance, Chengdu Hande was owned by Mr. Li Dongming as to 32%, Mr. Wang Er as to 32%, Ms. Fu Xi as to 20%, Ms. Yuan Qing as to 10% and Ms. Li Xiaolan as to 6%. Ms. Fu Xi and Ms. Yuan Qing are all Independent Third Parties.*

*During the period between 9 December 2009 and 22 August 2010, Chengdu Hande held the shareholding interest in Capture Advance on the understanding that the profits and/or losses pertaining to such shareholding interest in Capture Advance shall be shared by Mr. Li Dongming as to 75%, Mr. Liu Li as to 10.58%, Ms. Yang Yiwei as to 6.12%, Ms. Liu Ping as to 5.3% and Mr. Yang Jun as to 3%.*

*Mr. Li Dongming transferred the beneficial ownership of the 75% shareholding interest in Capture Advance to Mr. Li by way of gift on 23 August 2010 as part of his succession plan. During the period between 23 August 2010 and 21 December 2010, Chengdu Hande held the shareholding interest in Capture Advance on the understanding that the profits and/or losses pertaining to such shareholding interest in Capture Advance shall be shared by Mr. Li as to 75%, Mr. Liu Li as to 10.58%, Ms. Yang Yiwei as to 6.12%, Ms. Liu Ping as to 5.3% and Mr. Yang Jun as to 3%.*

*Note 4: When the share transfer was effected, Best Sparkle was beneficially owned by Mr. Li as to 75%, Mr. Liu Li as to 10.58%, Ms. Yang Yiwei as to 6.12%, Ms. Liu Ping as to 5.3% and Mr. Yang Jun as to 3%.*

*Note 5: The share transfer and/or allotment of shares referred to in this sub-section have been duly completed and the consideration has been fully settled as at the Latest Practicable Date.*

### Pacific Mining

We, through Pacific Mining, entered into the Mining Agreement with Gema Impak, the details of which are set out in the section headed "Relationship with Controlling Shareholders" of this prospectus.

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## HISTORY AND CORPORATE STRUCTURE

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On 31 August 2007, Pacific Mining was incorporated in Malaysia with an authorised share capital of RM100,000 divided into 100,000 shares of RM1.00 each. Ms. Ang and Mr. Cheah were the founding members of Pacific Mining. The issuance and/or allotment of shares and share transfers since incorporation are set out below:

Date of transfer and/or allotment	Transferor	Transferee and/or allottee	Number of shares involved and the represented percentage of shareholding in the company	Consideration (Note 7)
31 August 2007 (incorporation date)	Issuance and allotment of shares	Ms. Ang	1 share (50%)	Fully paid at par
		Mr. Cheah	1 share (50%)	Fully paid at par
11 May 2010	Issuance and allotment of shares	Chengdu Hande (Note 1)	51 shares (51%)	Fully paid at par (Notes 2&3)
		Ms. Ang	28 shares (28%)	Fully paid at par
		Mr. Cheah	19 shares (19%)	Fully paid at par
9 May 2011 (Note 4)	Chengdu Hande	Best Sparkle	51 shares (51%)	US\$5,000,000
18 July 2011	Ms. Ang	Best Sparkle	11 shares (11%)	Total consideration of US\$7,370,000 (Note 5)
	Mr. Cheah	Best Sparkle	8 shares (8%)	
25 June 2012	Ms. Ang	Best Sparkle	18 shares (18%)	Total consideration of US\$5,470,000 (Note 6)
	Mr. Cheah	Best Sparkle	12 shares (12%)	

Pacific Mining had been our Group's wholly-owned subsidiary as from 25 June 2012 and as at the Latest Practicable Date.

*Note 1: During the period between 11 May 2010 and 8 May 2011 when Chengdu Hande was the shareholder of Pacific Mining, Chengdu Hande was owned by Mr. Li Dongming as to 32%; Mr. Wang Er as to 32%; Ms. Fu Xi as to 20%; Ms. Yuan Qing as to 10% and Ms. Li Xiaolan as to 6%. Ms. Fu Xi and Ms. Yuan Qing are Independent Third Parties.*

*During the period between 11 May 2010 and 22 August 2010, Chengdu Hande held the shareholding interest in Pacific Mining on trust for and on behalf of Mr. Li Dongming as to 75%, Mr. Liu Li as to 10.58%, Ms. Yang Yiwei as to 6.12%, Ms. Liu Ping as to 5.3% and Mr. Yang Jun as to 3%.*

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## HISTORY AND CORPORATE STRUCTURE

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*During the period between 23 August 2010 and 4 May 2011, Chengdu Hande held the shareholding interest in Pacific Mining on trust for and on behalf of Mr. Li as to 75%, Mr. Liu Li as to 10.58%, Ms. Yang Yiwei as to 6.12%, Ms. Liu Ping as to 5.3% and Mr. Yang Jun as to 3%.*

*During the period between 5 May 2011 and 8 May 2011, Chengdu Hande held the shareholding interest in Pacific Mining for and on behalf of Mr. Li as to 75%, Mr. Liu Li as to 8.78%, Ms. Yang Yiwei as to 5.66%, Ms. Liu Ping as to 4.9%, Ms. Jin Lixuan as to 4.16% and Mr. Yang Jun as to 1.5%.*

*Note 2: After arm's length negotiations, Chengdu Hande, Ms. Ang and Mr. Cheah reached an understanding in early December 2009 to the effect that Chengdu Hande shall acquire 100% shareholding interest in Pacific Mining for a total consideration within the range of US\$15,000,000 to US\$20,000,000, and Chengdu Hande shall be beneficially entitled to 100% shareholding interest in Pacific Mining immediately after Chengdu Hande shall become a shareholder of Pacific Mining.*

*Note 3: Pursuant to an agreement entered into by Chengdu Hande, Ms. Ang and Mr. Cheah on 6 April 2010, which was subsequently supplemented by a confirmation letter dated 6 August 2012, Chengdu Hande settled an amount of US\$3,500,000, which was incurred as exploration expenses by Ms. Ang and Mr. Cheah in relation to the Ibam Mine, in consideration for Ms. Ang and Mr. Cheah agreeing to procure allotment of 51 shares in Pacific Mining to Chengdu Hande at par value (representing 51% shareholding interest in Pacific Mining after the said allotment).*

*Note 4: In early December 2010 and after arm's length negotiations, Chengdu Hande, Best Sparkle, Ms. Ang and Mr. Cheah reached an agreement that the total consideration for acquisition of 100% shareholding interest in Pacific Mining by Chengdu Hande shall be US\$16,340,000 (the "Total Consideration"), which shall be settled by instalment payment and the settlement of US\$3,500,000 as referred to in note 3 above shall be treated as the first instalment payment of the Total Consideration. The parties above also agreed that upon Best Sparkle's acquisition of 51% shareholding interest in Pacific Mining from Chengdu Hande, the payment obligation of Chengdu Hande in respect of settling the balance of the Total Consideration shall be novated to Best Sparkle.*

*Note 5: The second instalment payment of the Total Consideration payable by Best Sparkle to Ms. Ang and Mr. Cheah was US\$7,370,000.*

*Note 6: The third instalment payment of the Total Consideration payable by Best Sparkle to Ms. Ang and Mr. Cheah was US\$5,470,000.*

*Note 7: Unless stated otherwise, the share transfer and/or allotment of shares referred to in this sub-section have been duly completed and the consideration has been fully settled as at the Latest Practicable Date.*

*Note 8: Ms. Ang and Mr. Cheah were Malaysian private investors and ceased to be directors of Pacific Mining as from 31 August 2012.*

### **Bright Mining**

Bright Mining has been our Group's main contracting entity in respect of iron ore sales agreements with our customers since its incorporation and as at the Latest Practicable Date.

Bright Mining was incorporated in Hong Kong on 10 April 2012 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. Upon incorporation, 100 shares were issued and allotted to Capture Advantage.

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## HISTORY AND CORPORATE STRUCTURE

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### Approvals and registration

Ben & Partners confirmed that all necessary approvals under the relevant Malaysian laws and regulations have been obtained in connection with the issue and allotment of shares and transfer of shareholding interests in respect of Capture Advance and Pacific Mining and the said issue and allotment of shares and transfer of shareholding interests are valid under the Malaysian laws.

PRC Legal Advisers confirmed that all necessary approvals, consents and permits under the relevant PRC laws and regulations in respect of the investment in Capture Advance by Chengdu Hande are valid under PRC Laws and regulations.

In respect of the SAFE Circular No. 75 issued by SAFE to the effect that PRC residents are required to register with the local SAFE branch before establishing or controlling any company outside of China for the purpose of capital financing with assets or equities of PRC companies, our legal adviser as to PRC laws further confirmed that:

- (1) there is no capital financing plans at the time when Chengdu Hande invested in our Group, therefore our Company and Capture Advance do not constitute “special purpose company” under SAFE Circular No.75 and hence Chengdu Hande is not required to register with the local SAFE branch under SAFE Circular No. 75; and
- (2) all the PRC individual shareholders had never invested in our Group with assets or equity interest of PRC companies and will not make any subsequent repatriation of investment into PRC, therefore all the PRC individual shareholders are not required to register their investment in the Group with the local SAFE branch under SAFE Circular No.75.

### REORGANISATION

#### Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement

##### Phase I — Planned Acquisition and Contractual Arrangement

Gema Impak, the holder of the Mining Lease, entered into the Mining Agreement with us in October 2009. In July 2011, Pacific Mining acquired the legal ownership of 50% shareholding interest in Gema Impak at par value from the then three shareholders of Gema Impak who were Malaysian private individual investors and also remained as the directors of Gema Impak as at the Latest Practicable Date (“Original Shareholders”) with a view to enhance the protection of the mining right in respect of Ibam Mine, on the premise that Pacific Mining would only hold the said 50% shareholding interest as nominee for the Original Shareholders unless and until Pacific Mining can reach agreement with the Original Shareholders to acquire 100% legal and beneficial shareholding interest in Gema Impak at a future date (“Planned Acquisition”). While Pacific Mining was only holding the said 50% shareholding interest as nominee for the Original Shareholders until completion of the Planned Acquisition, Pacific Mining was not beneficially entitled to any shareholder’s right as provided under the memorandum and articles of association of Gema Impak, such as the right to nominate directors or receive dividend or share profits or the power to participate in the financial, management and operating policy of and/or any decision making of Gema Impak.

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## HISTORY AND CORPORATE STRUCTURE

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During the negotiation between the Original Shareholders and Pacific Mining since July 2011, no agreement was reached in respect of the Planned Acquisition. The Original Shareholders then proposed to offer, inter alia, 50% voting rights at the shareholders' meeting of Gema Impak in respect of matters related solely to Project Ibam, in consideration for a monthly payment of RM50,000 on the further premise that the directors of Gema Impak shall only deal with the matters pertaining to Project Ibam with prior authorization and approval from the Original Shareholders and Pacific Mining, to which Mr. Li's opinion differed from that of the then other shareholders of Capture Advantage which was the holding company of Pacific Mining ("Minority Shareholders"). The Minority Shareholders were of the view that since the Mining Agreement had provided sufficient protection in respect of the mining right thereunder, therefore, the monthly payment cannot be justified. However, Mr. Li considered that given the importance of the Mining Lease held by Gema Impak in respect of Project Ibam, the monthly payment was fully justified. Mr. Li was further of the view that, given (1) Gema Impak was also involved in other business such as timber business, apart from mining, (2) protection in respect of the Project Ibam that can be safeguarded by the monthly payment, (3) the Minority Shareholders' reluctance to contribute to the monthly payment, and (4) Mr. Li, although then holding 75% shareholding interest in Capture Advantage which was the holding company of Pacific Mining, did not wish to procure Pacific Mining to enter into an agreement with the Original Shareholders since this might jeopardise his relationship with the Minority Shareholders, therefore it would only be commercially sensible for Mr. Li himself, instead of Pacific Mining, to enter into an agreement with the Original Shareholders in respect of the arrangement above.

In early April 2012, a consensus was reached among Pacific Mining, Mr. Li and the Original Shareholders ("Contractual Arrangement"), the principal terms of which are as follows:

- (1) pursuant to the instructions of the Original Shareholders, Pacific Mining shall cease to be the nominee holder of the 50% shareholding interest in Gema Impak, and Mr. Li shall simultaneously become the nominee holder of the 50% shareholding interest in Gema Impak at par value for the Original Shareholders on a pro-rata basis. For avoidance of doubt, Mr. Li as the nominee holder of the 50% shareholding interest, is not beneficially entitled to any shareholder's right as provided under the memorandum and articles of association of Gema Impak, such as the right to nominate directors or receive dividend or share profits or the power to participate in the financial, management and operating policy of and/or any decision making of Gema Impak;
- (2) from October 2012, Mr. Li shall be entitled to exercise the Voting Rights (i.e. the 50% voting rights at the shareholders' meeting of Gema Impak in relation to matters related solely to Project Ibam);

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## HISTORY AND CORPORATE STRUCTURE

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- (3) the Original Shareholders, being directors of Gema Impak, agree that they shall only deal with the matters pertaining to Project Ibam with prior authorisation and approval from the Original Shareholders and Mr. Li;
- (4) the Original Shareholders, being both directors and beneficial owners of 100% shareholding in Gema Impak, shall not procure to increase or reduce the issued share capital of Gema Impak without Mr. Li's prior consent;
- (5) Mr. Li shall be entitled to the pre-emptive right should the Original Shareholders wish to dispose of beneficial and/or legal interest of their shareholding interest in Gema Impak;
- (6) Mr. Li shall pay the Monthly Payment, being RM50,000 in total per month, to the Original Shareholders since October 2012 and until the expiry of the term of the Contractual Arrangement, which shall mirror the term of the Mining Agreement or any extension thereof. The amount of the Monthly Payment shall not be revised without consent from each of the Original Shareholders and Mr. Li; and
- (7) in case of Mr. Li's default in the Monthly Payment, Mr. Li's rights under the Contractual Arrangement shall cease and Mr. Li shall also cease to be the nominee holder of the 50% shareholding interest of Gema Impak pursuant to the instructions of the Original Shareholders, and the Original Shareholders shall not be entitled to any other further claim against Mr. Li.

Upon entering into the Contractual Arrangement, Mr. Li also irrevocably undertook to the holding company of our mining business in Malaysia (then being Capture Advantage), that he shall, pursuant to the Contractual Arrangement, exercise the Voting Rights in the best interest of the holding company of our mining business in Malaysia (then being Capture Advantage), and its shareholders as a whole ("Undertaking").

Taking into account the aforesaid difference in view between Mr. Li and the Minority Shareholders and the Undertaking, Pacific Mining decided to cease acting as the nominee holder of the 50% shareholding interest in Gema Impak, and Mr. Li simultaneously became the nominee holder of the 50% shareholding interest in Gema Impak for the Original Shareholders on a pro-rata basis. The above change of nominee arrangement was completed on 24 April 2012 pursuant to the instructions of the Original Shareholders.

Mr. Li paid the Monthly Payment on his own accord during the subsistence of the Contractual Arrangement (i.e. between October 2012 and 19 March 2013), and Mr. Li will not be reimbursed or compensated by the Company in this regard.

### **Phase II — Protection Enhancement**

As a preparation step for the Listing in order to enhance our Group's independence and pursuant to the instructions of the Original Shareholders, Mr. Li ceased to be the nominee holder of the 50% shareholding interest in Gema Impak, and Pacific Mining agreed to simultaneously become the nominee holder of the 50% shareholding interest in Gema Impak for the Original Shareholders on a

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## HISTORY AND CORPORATE STRUCTURE

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pro-rata basis on 20 March 2013 at a nominal consideration of RM1 paid by the Original Shareholders pursuant to the Nominee Agreement dated 20 March 2013. Pursuant to the Nominee Agreement, the Original Shareholders may revoke the appointment of Pacific Mining as nominee holder of the said 50% shareholding interest in Gema Impak at any time by written notice with immediate effect.

Ben & Partners confirmed that the Nominee Agreement is legal, valid and enforceable under the Malaysian laws, and the termination of the Nominee Agreement would not affect the validity and enforceability of the Mining Agreement.

### **Protection Enhancement Arrangement**

In preparation for the Listing and to enable the Company to exercise the rights under the Protection Enhancement Arrangement financially independently of Mr. Li, our Controlling Shareholder for the purpose of the Listing Rules, the Minority Shareholders subsequently agreed to contribute to the Monthly Payment. After arm's length negotiation, the Protection Enhancement Arrangement which took effect from 20 March 2013, was agreed between the Original Shareholders and Pacific Mining. The principal terms of the Protection Enhancement Arrangement are as follows:

- (1) Pacific Mining is contractually entitled to such rights as set out in the Protection Enhancement Arrangement and is not beneficially entitled to any shareholder's right as provided under the memorandum and articles of association of Gema Impak, such as the right to nominate directors or receive dividend or share profits or the power to participate in the financial, management and operating policy of and/or any decision making of Gema Impak;
- (2) the Original Shareholders shall not procure to increase or reduce the issued share capital of Gema Impak without Pacific Mining's prior consent;
- (3) Pacific Mining shall be entitled to the pre-emptive right should the Original Shareholders wish to dispose of the beneficial and/or legal interest of their shareholding interest in Gema Impak. If Pacific Mining has opted not to exercise the pre-emptive right, the Original Shareholders shall procure any transferee of the shareholding interests in Gema Impak to enter into a deed of adherence to be bound by the Protection Enhancement Arrangement;
- (4) the Original Shareholders shall procure Gema Impak to deal with the matters pertaining to Project Ibam with prior consent from Pacific Mining, and Pacific Mining shall be entitled to exercise the Voting Rights in relation to matters related solely to Project Ibam according to its own wish and shall not be bound to take instructions or take into account the views and interests of the Original Shareholders in exercising the Voting Rights. The matters in relation to which Pacific Mining is entitled to exercise the aforesaid rights under the Protection Enhancement Arrangement include resolutions related to the Project Ibam, such as transferring or assigning the rights under the Mining Lease to a third party;
- (5) the Original Shareholders shall make best endeavours in providing assistance and cooperation in respect of Gema Impak's renewal of the Mining Lease and the relevant licences and dealing with governmental authority, which are related to Project Ibam;



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## HISTORY AND CORPORATE STRUCTURE

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- (6) Pacific Mining shall pay the Monthly Payment, being RM50,000 in total per month, to the Original Shareholders since March 2013 and until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the Mining Agreement or any extension thereof. Pacific Mining is entitled to unilaterally terminate the Protection Enhancement Arrangement by serving one month's written notice to the Original Shareholders while the Original Shareholders are not entitled to terminate the Protection Enhancement Arrangement unilaterally unless Pacific Mining fails to make the Monthly Payment. The amount of the Monthly Payment shall not be revised without consent from each of the Original Shareholders and Pacific Mining; and
- (7) in case of Pacific Mining's default in the Monthly Payment, Pacific Mining's rights under the Protection Enhancement Arrangement shall cease, and the Original Shareholders shall not be entitled to any other further claim against Pacific Mining.

To avoid a long term commitment, it is our present intention that our Directors will review the Protection Enhancement Arrangement in December of each year with the forthcoming annual review to be in December 2013. If our Directors consider that the Protection Enhancement Arrangement is not beneficial to our Group, we may unilaterally terminate the Protection Enhancement Arrangement accordingly. As advised by Ben & Partners, Pacific Mining, being nominee holder of 50% shareholding interest in Gema Impak for and on behalf of the Original Shareholder, owes a fiduciary duty to the Original Shareholders, to the extent as not otherwise covered under the Nominee Agreement or the Protection Enhancement Arrangement.

Even if we cease to be a nominee holder of 50% shareholding interests in Gema Impak, we are still entitled to the rights under the Protection Enhancement Arrangement.

The Directors are of the view that it was in the best interest of our Company and Shareholders as a whole for Pacific Mining to enter into the Protection Enhancement Arrangement, given that our Group would be entitled to independently exercise the rights as provided in the Protection Enhancement Arrangement. The Monthly Payment, being RM50,000 in total per month, would be recognised as administrative expenses in the income statement as it is incurred.

As advised by Ben & Partners, there is no restrictions prohibiting any foreign corporation to acquire or hold majority shareholding in a company incorporated pursuant to the Malaysian Companies Act 1965. As such, the Company, although not being an entity incorporated in Malaysia, is allowed to indirectly acquire or hold a majority shareholding in Gema Impak. The Pahang Mineral Enactment 2001 provides that a mineral tenement may be granted or transferred to a foreign company, and the Malaysia National Mineral Policy II provides that there is no restrictions on foreign equity participation in the mineral industry.

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## HISTORY AND CORPORATE STRUCTURE

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Ben & Partners also confirmed that the Protection Enhancement Arrangement is legal, valid and enforceable under the Malaysian laws, and that in case Pacific Mining defaults in Monthly Payment, the Original Shareholders would be entitled to terminate the Protection Enhancement Arrangement, but termination of the Protection Enhancement Arrangement would not affect the validity and enforceability of the Mining Agreement.

### Gema Impak

Gema Impak was incorporated in Malaysia on 4 December 2006 with an authorised share capital of RM500,000 divided into 500,000 shares of RM1.00 each. The issuance and/or allotment of shares and share transfers since our Group first acquiring shareholding interest in Gema Impak are set out below:

Date of transfer and/or allotment	Transferor	Transferee and/or allottee	Number of shares involved and the represented approximate percentage of shareholding in the company	Consideration
4 July 2011	Bazira Binti Bakar	Pacific Mining	50,000 (16.66%)	RM50,000
	Norhayati Binti Talib	Pacific Mining	50,000 (16.66%)	RM50,000
	Mohd Norhisham bin Mohamed Hashim	Pacific Mining	50,000 (16.66%)	RM50,000
	(Note 1)			(Note 2)
24 April 2012	Pacific Mining	Mr. Li	150,000 (50%)	RM150,000
				(Note 3)
20 March 2013	Mr. Li	Pacific Mining	150,000 (50%)	Nil
				(Note 4)

*Note 1:* Bazira Binti Bakar, Norhayati Binti Talib and Mohd Norhisham bin Mohamed Hashim are Malaysian individual investors who are investors with investments in timber business.

*Note 2:* The consideration was based on the par value of the shares on the premises that Pacific Mining would only hold the said 50% shareholding interest as nominee for the Original Shareholders unless and until further agreement can be reached between Pacific Mining and the Original Shareholders in respect of the Planned Acquisition, please refer to the section headed “Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement” above for more details.

*Note 3:* RM150,000 accords with the par value of the said 150,000 shares of Gema Impak.

*Note 4:* The Original Shareholders paid a nominal consideration of RM1 to Pacific Mining pursuant to the Nominee Agreement. There is no consideration payable by Pacific Mining to Mr. Li in respect of the said change of nominee arrangement. Please refer to the section headed “History and Corporate Structure — Reorganisation — Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement — Phase II — Protection Enhancement” for further details.

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## HISTORY AND CORPORATE STRUCTURE

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As at the Latest Practicable Date, the shareholding structure of Gema Impak was as follows:

<b>Shareholder</b>	<b>Legal ownership of the number of shares and approximate shareholding percentage</b>	<b>Beneficial ownership of the shares and approximate shareholding percentage</b>
Pacific Mining	150,000 ordinary shares (50%)	Nil
Norhayati Binti Talib	50,000 ordinary shares (16.66%)	100,000 ordinary shares (33.33%)
Bazira Binti Bakar	50,000 ordinary shares (16.66%)	100,000 ordinary shares (33.33%)
Mohd Norhisham bin Mohamed Hashim	50,000 ordinary shares (16.66%)	100,000 ordinary shares (33.33%)

*Note:* The Original Shareholders, being Norhayati Binti Talib, Bazira Binti Bakar and Mohd Norhisham bin Mohamed Hashim, are all Independent Third Parties.

Since 20 March 2013 and as at the Latest Practicable Date, our Group held 150,000 shares (representing 50% of the issued share capital in Gema Impak) as nominee for the Original Shareholders on a pro-rata basis. Our Group is entitled to exercise the Voting Rights. Please refer to the section headed “Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement” for further details.

Ben & Partners confirmed that all necessary approvals under the relevant Malaysian laws and regulations have been obtained in connection with the acquisition and disposal above.

### **Incorporation of our Company**

Our Company was incorporated on 25 April 2012. At the time of our Company’s incorporation, one Share was issued to Codan Trust Company (Cayman) Limited, an Independent Third Party, at par as nil paid. On the date of incorporation, such one Share was transferred to Cosmo Field, an investment holding company wholly owned by Mr. Li, at par as nil paid.

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## HISTORY AND CORPORATE STRUCTURE

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### Share Transfers and Share Swap

On 3 May 2012, all of the then shareholders of Capture Advantage (i.e. Mr. Li, Mr. Yang Jun, Ms. Yang Yiwei, Ms. Liu Ping, Ms. Jin Lixuan and Mr. Gao Pengxiang) transferred their respective shareholding interest in Capture Advantage to their respective wholly-owned companies in the manner below:

- (a) Mr. Li transferred 37,500 shares, representing 75% issued share capital of Capture Advantage, to Cosmo Field at a consideration of US\$37,500;
- (b) Mr. Yang Jun transferred 4,470 shares, representing 8.94% issued share capital of Capture Advantage, to Hua Heng at a consideration of US\$4,470;
- (c) Ms. Yang Yiwei transferred 2,830 shares, representing 5.66% issued share capital of Capture Advantage, to Cheer Thrive at a consideration of US\$2,830;
- (d) Ms. Liu Ping transferred 2,450 shares, representing 4.9% issued share capital of Capture Advantage, to Peng Rui at a consideration of US\$2,450;
- (e) Ms. Jin Lixuan transferred 2,000 shares, representing 4% issued share capital of Capture Advantage, to Up Wing at a consideration US\$2,000; and
- (f) Mr. Gao Pengxiang transferred 750 shares, representing 1.5% issued share capital of Capture Advantage, to East Soar at a consideration of US\$750 (collectively, the “**Share Transfers**”).

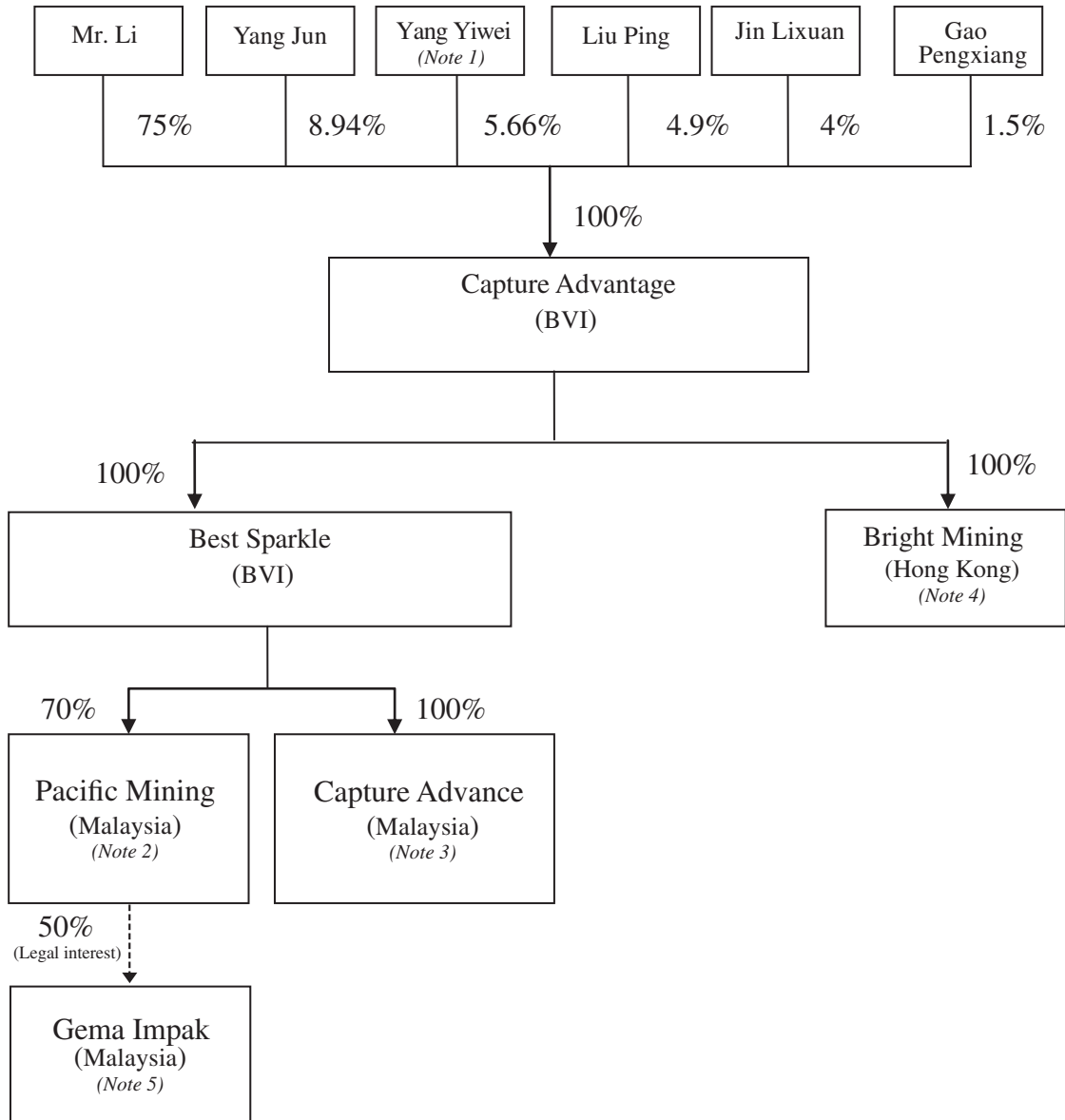
Pursuant to the sale and purchase agreement dated 7 April 2013, our Company acquired the entire issued share capital of Capture Advantage. As consideration for the acquisition, (i) the one nil paid Share then held by Cosmo Field was credited as fully paid at par, and (ii) 37,499 Shares, 4,470 Shares, 2,830 Shares, 2,450 Shares, 2,000 Shares and 750 Shares, all credited as fully paid at par, were allotted and issued to Cosmo Field, Hua Heng, Cheer Thrive, Peng Rui, Up Wing and East Soar, respectively (“**Share Swap**”).

After the Share Swap, Capture Advantage has become a wholly-owned subsidiary of our Company.

## HISTORY AND CORPORATE STRUCTURE

### OUR CORPORATE STRUCTURE

We set out below our Group's structure immediately before the Reorganisation:



*Note 1:* Ms. Yang Yiwei is the daughter of Ms. Li Xiaolan, one of our executive Directors.

*Note 2:* Pacific Mining has entered into the Mining Agreement with Gema Impak. The acquisition of 30% shareholding interest in Pacific Mining by us on 25 June 2012 is pursuant to an agreement amongst Chengdu Hande, Best Sparkle, Ms. Ang and Mr. Cheah in early December 2010, and not as part of the Reorganisation. Please see more details in the sub-section headed "Pacific Mining" above.

*Note 3:* Capture Advance is our principal operating entity in respect of Project Ibam.

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## HISTORY AND CORPORATE STRUCTURE

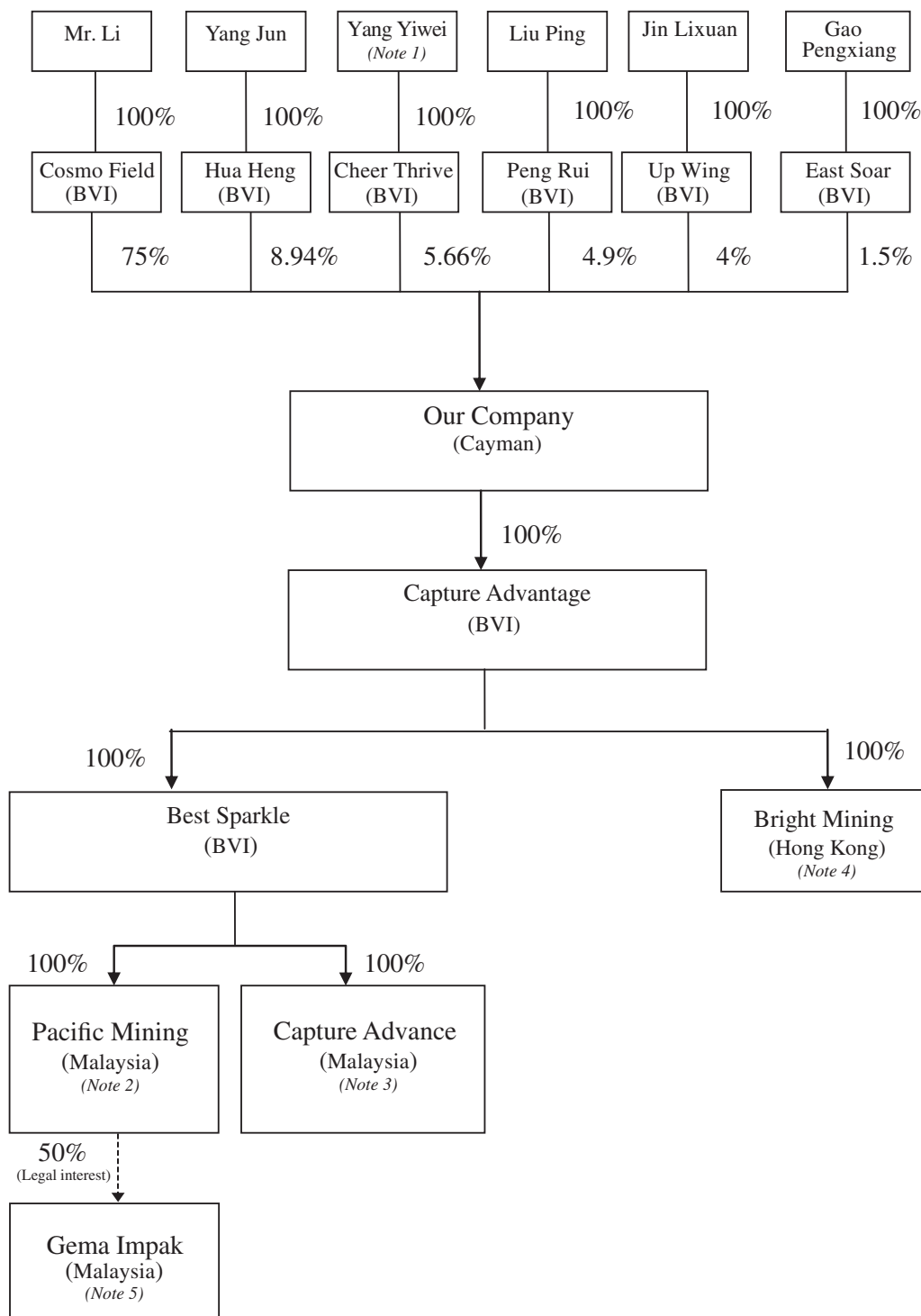
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*Note 4:* Bright Mining is our Group's main contracting entity in respect of iron ore sales agreements with our customers since its incorporation.

*Note 5:* Pacific Mining held 150,000 shares in Gema Impak (representing 50% of the issued share capital) as nominee for the Original Shareholders who were beneficial owners of 100% shareholding in Gema Impak and Independent Third Parties, on a pro-rata basis. Please refer to the section headed "History and Corporate Structure — Reorganisation — Arrangement in respect of 50% shareholding interests in Gema Impak — Phase I — Planned Acquisition and Contractual Arrangement" for further details.

## HISTORY AND CORPORATE STRUCTURE

We set out below our Group's structure after completion of the Reorganisation but immediately before the Capitalisation Issue and the Global Offering:



*Note 1:* Ms. Yang Yiwei is the daughter of Ms. Li Xiaolan, one of our executive Directors.

*Note 2:* Pacific Mining has entered into the Mining Agreement with Gema Impak.

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## HISTORY AND CORPORATE STRUCTURE

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*Note 3:* Capture Advance is our principal operating entity in respect of Project Ibam.

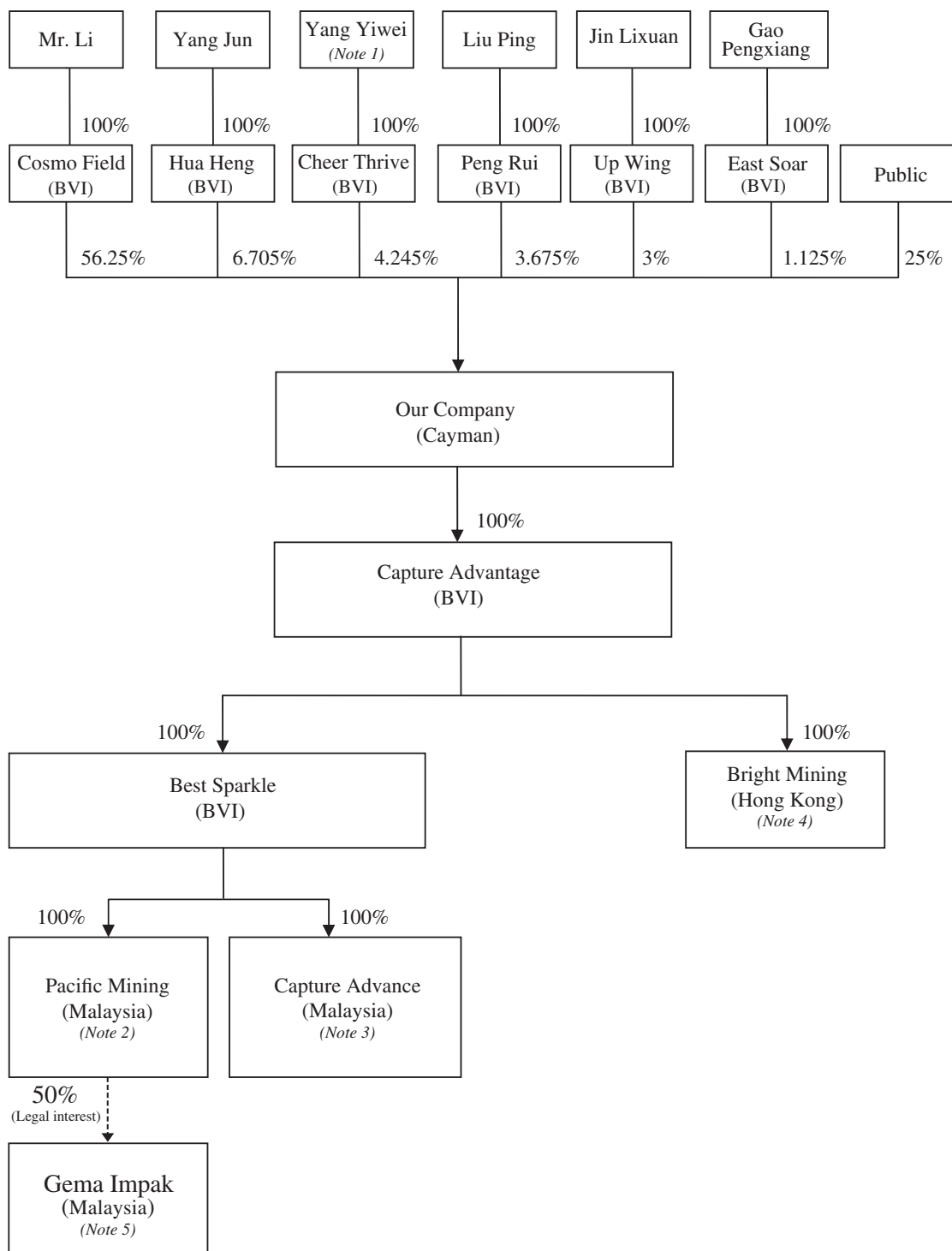
*Note 4:* Bright Mining is our Group's main contracting entity in respect of iron ore sales agreements with our customers since its incorporation.

*Note 5:* Since 20 March 2013 and as at the Latest Practicable Date, Pacific Mining held 150,000 shares in Gema Impak (representing 50% of the issued share capital) as nominee for the Original Shareholders who were beneficial owners of 100% shareholding in Gema Impak and Independent Third Parties, on a pro-rata basis. Pacific Mining is entitled to exercise the Voting Rights. Please refer to the section headed "History and Corporate Structure — Reorganisation — Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement — Phase II — Protection Enhancement" for further details.



## HISTORY AND CORPORATE STRUCTURE

We set out below the Group's structure immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option):



*Note 1:* Ms. Yang Yiwei is the daughter of Ms. Li Xiaolan, one of our executive Directors.

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## HISTORY AND CORPORATE STRUCTURE

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*Note 2:* Pacific Mining has entered into the Mining Agreement with Gema Impak.

*Note 3:* Capture Advance is our principal operating entity in respect of Project Ibam.

*Note 4:* Bright Mining is our Group's main contracting entity in respect of iron ore sales agreements with our customers since its incorporation.

*Note 5:* Since 20 March 2013 and as at the Latest Practicable Date, Pacific Mining held 150,000 shares in Gema Impak (representing 50% of the issued share capital) as nominee for the Original Shareholders who were beneficial owners of 100% shareholding in Gema Impak and Independent Third Parties, on a pro-rata basis. Pacific Mining is entitled to exercise the Voting Rights. Please refer to the section headed "History and Corporate Structure — Reorganisation — Planned Acquisition, Contractual Arrangement and Protection Enhancement Arrangement — Phase II — Protection Enhancement" for further details.

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## BUSINESS

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### OVERVIEW

We are a newly-established iron ore product supplier in the State of Pahang, Malaysia. Our primary business operations include iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines. We sell our iron ore products primarily to steel manufacturers and/or their respective purchase agents in China. As at the Latest Practicable Date, we owned and operated six beneficiation lines (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013) and two crushing lines. As at the Latest Practicable Date, the annual mining, crushing and beneficiation volume of Project Ibam was 2.40 Mt, 0.81 Mt and 0.58 Mt, respectively. According to our expansion plan and subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation, we expect that by the end of 2015, the annual mining volume for Project Ibam will reach 13.22 Mt and there will be a total of 18 beneficiation lines in operation with a total annual beneficiation volume of 3.18 Mt as well as a total of 14 crushing lines with a total annual crushing volume of 4.45 Mt. According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30% while the iron content of raw ores mined from the Ibam Mine has superior iron content ranging from 31% to 61%. With our sizable high quality mineral resources and ore reserves, low-cost open-pit operation method, strategic location and strong ramp-up potential on production capacity, we believe we are well-positioned to capture the business opportunities arising from the growth of the iron ore market in China. Our overall strategic objective is to exploit our competitive advantages to become one of the leading iron ore product suppliers in Malaysia in terms of production volume of iron ore products.

We currently undertake Project Ibam as our principal mining and beneficiation project.

### Project Ibam

Pursuant to the Mining Agreement, we were granted the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine covering an area of approximately 1.359 sq.km. in total by Gema Impak, which is the registered holder of the Mining Lease. During the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, we produced 17.1 Kt, 100.5 Kt and 178.8 Kt of iron ore products using iron ores mined from the Ibam Mine.

According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30%. Compared with raw ores mined in the PRC, the iron content of raw ores mined from the Ibam Mine has superior iron content, which ranges from 31% to 61%. According to the Independent Technical Report, as of 31 December 2012, the total probable reserve of the Ibam Mine (reported at a 35% Fe cut-off grade) was 105 Mt at an average grade of 44.8% total Fe. The combined measured and inferred mineral resource of the Ibam Mine (reported at a 35% Fe cut-off grade) was 152 Mt at an average grade of 46.5% total Fe. This includes a measured mineral resource (reported at a 35% Fe cut-off grade) of 110 Mt at an average grade of 46.7% total Fe. The mine life of the Ibam Mine is expected to be longer than 27 years.

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The Ibam Mine is an open-pit mine. Our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. Mineralisation at the Ibam Mine is largely non-outcropping and under cover. The ore at the Ibam Mine has low levels of impurities, such as sulphur, phosphorus and silicon. As a result, we are able to use relatively simple magnetic separation methods to process raw ore in the production of iron ore products, which are low-cost and environmentally friendly as they do not require any chemical reagents.

According to the Independent Technical Report, our average cash operating costs to produce one tonne of iron ore products were USD69.46 and USD69.99 (including the Mining Fee and shipping costs to Chinese port) in 2011 and 2012, respectively while according to the Antaike Report, the industry average cash operating cost for PRC iron ore producers was RMB550 to RMB650 (equivalent to USD87.3 to USD103.2) (including shipping costs) per tonne of iron ore concentrates in 2011.

As at the Latest Practicable Date, we owned and operated six beneficiation lines (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013) and the production of which shall be suspended during the relocation period) and two crushing lines and the annual mining, crushing and beneficiation volume of Project Ibam was 2.40 Mt, 0.81 Mt and 0.58 Mt, respectively. According to our expansion plan, we expect that by the end of 2015, the annual mining volume for Project Ibam will reach 13.22 Mt and there will be a total of 18 beneficiation lines in operation with a total annual beneficiation volume of 3.18 Mt as well as a total of 14 crushing lines with a total annual crushing volume of 4.45 Mt.

Gema Impak is the registered holder of the Mining Lease under which Gema Impak has been granted the right from the Director of Lands and Mines in Malaysia to extract and mine iron ores at the Ibam Mine subject to terms and conditions as stipulated therein for a period of six years commencing from 16 December 2010 and expiring on 15 December 2016. Gema Impak has undertaken to apply for the extension of the Mining Lease prior to its expiry. Subject to any restrictions as may be imposed by the relevant governmental authorities, Gema Impak shall use its best endeavours to procure that the tenure of each extension shall not be less than five years.

We are not the registered holder of the Mining Lease but has been granted the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine pursuant to the Mining Agreement. Pursuant to the Mining Agreement, Pacific Mining's right to carry out mining of iron ore is effective during the tenure of the Mining Lease, the initial term of which commenced on 16 December 2010 and will expire on 15 December 2016. The tenure of the Mining Agreement will be automatically extended according to the term of each subsequent extension of the Mining Lease. There is no further or additional conditions or obligations to be imposed on Pacific Mining for each of the extended term of the Mining Lease and no additional consideration is payable to Gema Impak by Pacific Mining for such extension under the Mining Agreement.

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Pursuant to the Deed of Appointment dated 11 May 2012, Pacific Mining has appointed Capture Advance as its contractor to manage, supervise, conduct and carry out mining activities at the Ibam Mine at Capture Advance's own costs and expenses. The Deed of Appointment is deemed to be effective from 1 January 2010 and shall continue until the expiry of the Mining Lease or any renewal thereof, whichever is later unless otherwise determined by Pacific Mining and Capture Advance. Ben & Partners are of the view that the Deed of Appointment is legal, valid, subsisting, binding and enforceable between Pacific Mining and Capture Advance.

In consideration of Gema Impak agreeing to grant to Pacific Mining the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine, Gema Impak is entitled to receive from Pacific Mining the Mining Fee of RM40 (equivalent to USD12.6) per tonne of iron ore products sold by Capture Advance (pursuant to the Deed of Appointment) resulting from the mining activities at the Ibam Mine. The Mining Fee shall remain the same during the tenure of the Mining Lease and any extension thereof.

The following table summarises certain information about the Ibam Mine:

**Background data:**

Mining rights area (sq.km.)	1.359
Current mining lease expiration date (month/year) <sup>(Note)</sup>	12/2016

**Production data:**

Current mining method	Open-pit
Ore production volume in 2012 (Kt)	178.8
Average stripping ratio	1.97
Average recovery rate (%)	91.8
Average production rate (%)	71.4

*Note:* The term of the Mining Lease is subject to renewal.

### Mineral Resources and Ore Reserves

The following table sets forth an estimation of our Mineral Resources at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

Classification	Quantity (Mt)	Iron grade (%)
Measured	110	46.7
Indicated	—	—
Inferred	42	46.4
<b>Total</b>	<b>152</b>	<b>46.5</b>

*Source: Independent Technical Report*

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The following table sets forth an estimation of our Ore Reserves at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

<b>Classification</b>	<b>Quantity (Mt)</b>	<b>Iron grade (%)</b>
Proved	—	—
Probable	105	44.8
<b>Total</b>	<b>105</b>	<b>44.8</b>

*Source: Independent Technical Report*

According to the Independent Technical Report, there is an estimate of a combined measured and inferred resource of 79.3 Mt of iron mineralisation for ore with a lower iron grade between 20% and 35%, which may also be excavated and processed by us to produce iron ore products.

### **Project Esperance**

Esperance Mine is near the Ibam Mine and the mining lease of which is held by Esperance Mining. To the best knowledge of the Directors, the Esperance Mine is now in the stage of extraction. During the Track Record Period, we entered into the Cooperation Agreement with Esperance Mining, pursuant to which we were entitled to invest and install our beneficiation facilities at the Esperance Mine to produce iron ore concentrates while Esperance Mining was required to supply crude ores mined from the Esperance Mine to us for beneficiation. During the period from the commencement date of the Cooperation Agreement in June 2011 to 31 December 2011 and the year ended 31 December 2012, we produced and owned 7.8 Kt and 164.0 Kt of iron ore products from the Esperance Mine, respectively.

Since the mining lease of the Esperance Mining is held by Esperance Mining, which is an Independent Third Party while we were merely granted the contractual right to, among others, install the beneficiation facilities at the Esperance Mine and to carry out beneficiation activities, it is therefore practically infeasible for us to compel Esperance Mining to commission an independent technical report. After reaching mutual consent, a termination agreement was entered into between Esperance Mining and us on 10 April 2013 to terminate the Cooperation Agreement with immediate effect and neither party shall be entitled to any penalties pursuant to such termination. Two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended and such relocation will incur cost of approximately USD720,000 among which approximately USD690,000 would be capitalised and approximately USD30,000 would be recognised as expense in profit or loss in 2013. It is further expected that, pursuant to the termination, our Group may not be able to secure a contractual long-term supply of crude ore from the Esperance Mine under the Cooperation Agreement. Nevertheless, depending on the prevailing market conditions, we may negotiate with Esperance Mining for the supply of crude ore on a case-by-case basis in future. Should our Company enter into any cooperation arrangement after the Listing in a manner that is similar to the Cooperation Agreement, our Company undertakes to provide

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a competent person's report in this regard and comply with Chapter 18 of the Listing Rules. Where the details of relevant resources and/or reserves are publicly disclosed, our Company will also update the same in the annual report in accordance with the reporting standard under which they are previously disclosed.

Given the fact that (i) no penalty will be imposed on our Group pursuant to the termination of the Cooperation Agreement; (ii) the short period of disturbance to our operation and small monetary amounts used in relocating the two beneficiation lines from the Esperance Mine to the Ibam Mine; (iii) the consequence of no revenue will be contributed from Project Esperance to our Group upon the termination of the Cooperation Agreement can be compensated by the ramping up of production from Project Ibam according to our expansion plan and production capacity, which is expected to increase from 230,000 tonnes in 2012 to 1.2 million tonnes in 2013, representing an increase of 421.7% and further increase to 2.5 million tonnes in 2014, representing an increase of 108.3%; (iv) the economies of scale as a result of the ramping up of production in Project Ibam going forward will to a large extent offset the negative impact on our gross profit margin resulting from the termination of the Cooperation Agreement, due to Project Esperance contributed a higher gross profit margin to our Group, maintained at a level above 60%, during the Track Record Period whereas Project Ibam contributed a slightly lower gross profit margin of 38.0% and 46.1% in 2011 and 2012; and (v) our selling and distribution expenses, administrative expenses and other miscellaneous expenses are incurred varied with our revenue and will not be affected by the termination of the Cooperation Agreement, our Directors are of the view that the termination of the Cooperation Agreement will not have a material adverse impact to our Group's operation, liquidity position and financial results. Our Directors further confirm that to the best of our knowledge, none of our connected persons has the intention to take over the cooperation business with Esperance Mining. As such, our Directors consider that there is not and will not be any competition issues in this regard.

### OUR COMPETITIVE STRENGTHS

#### **Sizeable high quality mineral resources and ore reserves**

As Mineral Resources and Ore Reserves are non-renewable resources in nature, we believe the control of sizeable Mineral Resources and Ore Reserves is fundamental to long-term sustainable expansion of our business. We believe that we are well-positioned to expand our Mineral Resources and Ore Reserves.

Through the Mining Agreement, we have been granted the exclusive right from Gema Impak (the registered holder of the Mining Lease) to explore, mine, extract and sell iron ore products produced from the Ibam Mine, which has significant iron ore reserves and resources.

According to the Independent Technical Report, as of 31 December 2012, the total probable reserve of the Ibam Mine (reported at a 35% Fe cut-off grade) was 105 Mt at an average grade of 44.8% total Fe. The combined measured and inferred mineral resource of the Ibam Mine (reported at

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a 35% Fe cut-off grade) was 152 Mt at an average grade of 46.5% total Fe. This includes a measured mineral resource (reported at a 35% Fe cut-off grade) of 110 Mt at an average grade of 46.7% total Fe. According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30%. Compared with raw ores mined in the PRC, the iron content of raw ores mined from the Ibam Mine has superior iron content, which ranges from 31% to 61%.

According to the Independent Technical Report, there is an estimate of a combined measured and inferred resource of 79.3 Mt of iron mineralisation for ore with a lower iron grade between 20% and 35%, which may also be excavated and processed by us to produce iron ore products.

As indicated in the Independent Technical Report, the mine life of the Ibam Mine is expected to be longer than 27 years on the basis that (i) a 10% combined dilution and loss of ore tonnage from the total estimated resource of 152 Mt is allowed; and (ii) a total ore mining tonnage of 5 Mt per annum (the planned mining volume to be achieved by 2015 excluding quantity of stripping rock).

### **A stable business relationship with reputable steel manufacturers and/or their respective purchase agents in the PRC**

We are committed to offer good quality iron ore products to our customers consistently to establish and maintain long-term business relationship with them. As at the Latest Practicable Date, we deployed our employees to perform on-site inspections for our crushing lines and beneficiation lines at the Ibam Mine. We monitor our production process closely by taking samples of raw ores, iron ore concentrates and tailings at different stages in the production process and examining them at our laboratory which is fully equipped to carry out quality checks. As at the Latest Practicable Date, we had two laboratory analysts stationed at our testing laboratory. During the Track Record Period, we had no disputes with our customers on the quality of our iron ore products sold to them which would affect our operation materially.

With our effort, we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC, including Ningbo Iron which has been our customer for approximately two and a half years as at the Latest Practicable Date. Ningbo Iron is a subsidiary of the Baosteel Group Corporation, one of the top Chinese steel producers according to the Antaike Report.

Our Directors believe that one of the factors for the success of our Group is attributable to its ability to secure and maintain stable relationships with these reputable customers. For the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, Ningbo Iron accounted for sales amount of our Group of nil, USD3.5 million and USD1.1 million, respectively.

Leveraging on our stable business relationship and reputation, we are able to secure consistent purchase orders from our customers. This supports us to maintain our scale of production during both market upturns and downturns, and further expand our mining operation in Malaysia.



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### **Highly efficient operation and strong ramp-up potential**

We believe that our mining operations for Project Ibam is highly efficient as we (i) use low-cost open-pit mining method; (ii) yield raw ores with a relatively high iron content; and (iii) secure ample supply of natural water on-site for the magnetic separation process.

We utilise open-pit mining method at the Ibam Mine. Compared to underground mining method, open-pit mining method allows relatively easy access to extraction areas and reduces operational risks. Since open-pit mining method does not require specialised machinery, equipment or supporting structures necessary in underground mining, our Directors believe the open-pit mining method we employ is relatively low-cost and simple to expand our operation scale.

The iron content of raw ores mined from the Ibam Mine has superior iron content, which ranges from 31% to 61%. For raw ore with iron content over 50%, we sell to customers as iron ore products after simple crushing process. Since such iron ore products do not require beneficiation, beneficiation cost is saved and our overall production cost for iron ore products is reduced. For raw ore with iron content below 50%, it will be processed to produce iron ore concentrates. Due to the nature of the ore, we produce high quality iron ore concentrates at relatively low costs. The iron ore concentrates produced from our iron ore in 2012 generally had grades between 60% and 65% with low level sulphur and phosphorus content and moderate to low silica content. According to the Independent Technical Report, our average cash operating costs to produce one tonne of iron ore products were USD69.46 and USD69.99 (including the Mining Fee and shipping costs to Chinese port) in 2011 and 2012, respectively while according to the Antaike Report, the industry average cash operating cost for PRC iron ore producers was RMB550 to RMB650 (equivalent to USD87.3 to USD103.2) (including shipping costs) per tonne of iron ore concentrates in 2011. For details of our average cash operating costs, please refer to the paragraph headed “Our Production Operations and Facilities — Cash operating costs” under this section of this prospectus.

Water is a key component of our on-site beneficiation process. We conveniently source ample amount of natural water from local streams, natural runoff and pumping from a retention pond in the Ibam Mine area. Malaysia is located in a tropical region and rainfall occurs throughout the year.

As at the Latest Practicable Date, our annual mining volume was 2.40 Mt. We aim to increase our annual mining volume to 13.22 Mt in the Ibam Mine by the end of 2015. Meanwhile, the annual beneficiation volume of the Ibam Mine is planned to increase from 0.58 Mt as at the Latest Practicable Date to 3.18 Mt by the end of 2015, through the instalment of new on-site beneficiation lines. For the details of our expansion plan in Project Ibam, please refer to the paragraph headed “Expansion Plan and Capital Expenditure — Project Ibam” under this section of this prospectus.

Leveraging on our beneficiation facilities and technical know-how to produce export-grade iron ore concentrates in a cost-efficient manner, together with our well-established business relationship with PRC steel manufacturers and/or their respective purchase agents, our Directors believe that we have competitive advantage in securing and negotiating with local mining companies for business cooperation which will further expand our production scale of iron ore products without making significant capital expenditure and minimise our investment risk.

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### **Access to local transportation networks and loading facilities**

We benefit from relative low transportation costs due to our close proximity to port facilities located at Kuantan Port. Our Kuantan Warehouse, where we store our iron ore products, is conveniently located in close proximity to the berths of the Kuantan Port. Kuantan Port is a major terminal of the east coast region of the Peninsular Malaysia and is connected to the major sea lanes of the shipping world.

Pahang has a developed infrastructure system which includes established asphalt road suitable for bulk haulage and other public facilities. We believe that the proximity of mining assets to local transportation infrastructure enables us to export our products overseas in a cost-efficient manner.

In addition, being located in Malaysia, the Ibam Mine has a competitive advantage over our competitors operating mines in Brazil, South Africa, India and Australia, which are the principal sources of imported iron ore products for the PRC market. We benefit from the shorter shipment period due to our proximity to customers in the PRC as compared with the above overseas suppliers. In general, it takes approximately 4-10 days to ship our products from Malaysia to our customers in the PRC while it takes approximately 9-12 days from Australia, 12-15 days from India, 28-38 days from South Africa and 40-45 days from Brazil. We could therefore satisfy our PRC customers' demand for iron ore products in a shorter period of time and our customers are less susceptible to the risk of price fluctuations of iron ore products during the shipment period.

### **Experienced senior management team**

Our Directors and senior management comprise a group of experienced professionals with industry knowledge and expertise in the mining industry. We have a core technical team comprising of three executive Directors and three senior management members who individually have approximately 23 to 40 years (as the case may be, and as set out in the section headed "Directors, Senior Management and Staff" in this prospectus) of relevant industry experience. Mr. Gong Maoqing, our executive Director primarily responsible for our geological prospecting and technical advisory, has approximately 40 years of experience in mining and was awarded the second Lisiguang Geological Science Awards (李四光地質科學獎) in 1991 for his outstanding achievements in prospecting. Mr. Wang Er, our executive Director and production director, graduated from Henan Jiaozuo Mining Institute (焦作礦業學院) with a major in mineral processing in 1998 and has approximately 29 years of experience in mining. Mr. Yan Xiaodong, a member of our senior management and our chief engineer, graduated from Kunming Institute of Technology majoring in Regional Geological Surveying and has more than 28 years of experience in the mining industry. We believe that our management team possesses in-depth knowledge critical to our success in the iron ore industry and is capable of identifying and seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management and production schemes, and increasing our overall profit to maximise our Shareholder value. For a more detailed description of the senior members of our management team, please see the section headed "Directors, Senior Management and Staff" in this prospectus.

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### OUR BUSINESS STRATEGIES

#### **Ramp up our mining and ore processing capacities**

We plan to ramp up our mining, crushing and beneficiation capacities to capture business opportunities in the Malaysian iron ore industry, which is benefited from the robust demand of the PRC iron ore market.

We intend to expand our production capacity by (i) upgrading and constructing new iron ore beneficiation and crushing lines at the Ibam Mine; (ii) expanding our mining activity at the Ibam Mine; and (iii) acquiring new mines and related production facilities.

In April 2012, we have also entered into the non-legally binding Cooperation Memorandum with Miva System in respect of the operation at the Miva Mine. The cooperation arrangement contemplated under the Cooperation Memorandum is similar to that of our cooperation with Esperance Mining under the Cooperation Agreement and it is intended that we shall set up our own iron ore beneficiation lines at the Miva Mine. To the best knowledge of the Directors, Miva System has not yet obtained a valid mining lease in respect of the Miva Mine as at the Latest Practicable Date. The exclusivity of the Cooperation Memorandum has expired in December 2012 and Miva System is permitted under the Cooperation Memorandum to negotiate with any third party on any of the rights to the Miva Mine. As at the Latest Practicable Date, we did not and do not intend to enter into any legally-binding agreement with Miva System. On the basis that the Cooperation Memorandum is non-legally binding and the cooperation contemplated thereunder is a mere cooperation plan that has yet to be implemented, our Directors are of the view that any intention of not entering into a legally-binding agreement with Miva System under the Cooperation Memorandum will have no impacts to the Group's existing business operation and financial results. Nevertheless, should our Company enter into any cooperation arrangement after the Listing with Miva System in respect of the Miva Mine in a manner that is similar to the Cooperation Agreement, our Company undertakes to provide a competent person's report in this regard and comply with Chapter 18 of the Listing Rules. Where the details of relevant resources and/or reserves are publicly disclosed, our Company will also update the same in the annual report in accordance with the reporting standard under which they are previously disclosed.

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Set out below is the summary of our expansion plan for Project Ibam during the three years ending 31 December 2015 and such expansion plan is subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation:

	<b>As at the Latest Practicable Date</b>	<b>2013 (Forecast)</b>	<b>As at 31 December 2014 (Forecast)</b>	<b>2015 (Forecast)</b>
Our annual mining volume (Mt)	2.40	5.01	10.38	13.22
Number of beneficiation lines	6	11 ( <i>Note</i> )	15	18
Our aggregate annual beneficiation volume of iron ore products (Mt)	0.58	1.20	2.50	3.18
Number of crushing lines	2	7	11	14
Our aggregate annual crushing volume of iron ore products (Mt)	0.81	1.69	3.49	4.45

*Note:* Two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended.

For details of our expansion plan, please refer to the paragraph headed “Expansion Plan and Capital Expenditure” under this section of this prospectus.

### **Further exploration at the Ibam Mine and increase our Ore Reserves through acquisition**

As at the Latest Practicable Date, we have not yet explored and developed all of the mineralised bodies in the defined resources located at the Ibam Mine. As part of our expansion plan, we intend to conduct exploration work within the boundary of the Ibam Mine that have yet to be drilled during the validity of the Mining Lease. As advised by Ben & Partners, upon enquiry with the relevant authorities, holder of a mining lease is allowed to conduct exploration activities on a mining site during the validity of its mining lease.

Taking into account the cost, location, duration of mine life, mineral reserves and ore reserves of the mine, we also intend to expand our Ore Reserves through acquisition of other mines which are located adjacent to the Ibam Mine. According to the Independent Technical Report, mineralisation may extend outside the Ibam Mine area to both the north and south. Our access to iron ore reserves in Pahang presents opportunities for our expansion and long-term sustainable growth. As at the Latest Practicable Date, we had not identified any acquisition targets.

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### **Further enhance operational efficiency and reduce operating costs**

Our Directors believe that our expertise and experience in iron ore beneficiation is one of our competitive advantages over local iron ore producers in Malaysia, which is demonstrated by our role under the Cooperation Agreement with Esperance Mining. We are committed to optimising our mining, crushing and beneficiation operations continually. We have entered into a cooperation agreement with Comprehensive Rock Ore Testing Centre in June 2010, pursuant to which Comprehensive Rock Ore Testing Centre is responsible for, among others, analysing iron ore samples, testing for suitable beneficiation conditions, recommending iron ore beneficiation procedures and compiling a written report. Such research and development of new production know-how are crucial to our mining and iron ore beneficiation operations. We have implemented a number of technologies at our iron ore beneficiation lines to enhance our production capacity and efficiency as well as to increase the iron grades of our products as a result of the recommendations from Comprehensive Rock Ore Testing Centre. We intend to continue to cooperate with professional research and development institutions as and when suitable opportunities arise.

In addition to optimising our ore beneficiation capacity through cooperation with professional research and development institutions, we plan to enhance our operational efficiency and reduce our operation cost by way of investment in a new berth at the Kuantan Port. We load our iron ore products at Kuantan Port, and then ship to our customers in the PRC. As at the Latest Practicable Date, we did not have any right to own or use a dedicated berth at Kuantan Port. In order to satisfy our growing shipping volume of iron ore products and secure better control on the berthing arrangement, which will shorten our loading time, we plan to invest HK\$95.0 million financed by the net proceeds from the Global Offering to build a new berth at Kuantan Port for the right to use this dedicated berth exclusively. We expect to finalise the investment terms with the relevant authorities in Malaysia by the end of 2013, and commence the construction in the first half of 2014. The estimated construction period will be around 15 months.

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### PRODUCTS

The following table illustrates the breakdown of our revenue for the periods indicated:

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>		<b>Year ended 31 December 2011</b>		<b>Year ended 31 December 2012</b>	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%	<i>US\$'000</i>	%
<b>Project Ibam</b>						
- Sales of iron ore products produced by us	—	—	13,439	49.4	19,380	35.7
<b>Project Esperance</b>						
- Sales of iron ore products produced by us	—	—	793	2.9	14,123	26.0
- Rendering of services	—	—	266	1.0	4,337	8.0
<b>Trading of iron ore products</b>	<u>6,865</u>	<u>100.0</u>	<u>12,722</u>	<u>46.7</u>	<u>16,483</u>	<u>30.3</u>
<b>Total</b>	<u>6,865</u>	<u>100.0</u>	<u>27,220</u>	<u>100.0</u>	<u>54,323</u>	<u>100.0</u>
<b>Sale of iron ore products from discontinued business</b>	<u>—</u>	<u>—</u>	<u>7,117</u>	<u>100.0</u>	<u>—</u>	<u>—</u>

Our iron ore products appear in the form of iron ore concentrates and iron ore fines. The crushed iron ore, which is either in the form of iron ore concentrates or iron ore fines, with iron grade above 50% and suitable fineness will be sold directly to our customers while crushed iron ore with iron grade less than 50% will undergo beneficiation to upgrade its iron content and to form iron ore concentrates.

#### (1) Self-production

During the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, we sold nil, 115.4 Kt and 178.2 Kt, respectively and derived nil, 49.4% and 35.7%, respectively of our revenue from the sale of iron ore products produced from iron ores of the Ibam Mine; and we sold nil, 7.8 Kt and 135.9 Kt, respectively and derived nil, 2.9% and 26.0%, respectively of our revenue from the sale of iron ore products produced from iron ores of the Esperance Mine. Upon the termination of the Cooperation Agreement on 10 April 2013, it is expected that no revenue will be contributed from Project Esperance to our Group. Please see the section headed “Financial Information” in this prospectus for our analysis on the costs involved in production of our iron ore products.

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As part of our measures to monitor the iron ore price fluctuations and accumulation of inventory, we have a strict control over our inventory and our inventory turnover period is in general 17.3 days, 17.3 days and 8.5 days, respectively, during the Track Record Period.

(i) *Project Ibam*

During the year 2008 and 2009, we conducted prospecting activities and built our own crushing lines at the Ibam Mine, where abundant iron ore reserves were found. Ever since we produced and sold the first batch of iron ore products from the Ibam Mine in January 2011, the sales volumes of iron ore products produced under Project Ibam have increased substantially since then. During the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, we produced 17.1 Kt, 100.5 Kt and 178.8 Kt of iron ore products by using raw ores mined and extracted from the Ibam Mine.

(ii) *Project Esperance*

Under the Cooperation Agreement with Esperance Mining, we invested and installed our beneficiation facilities at the Esperance Mine to produce iron ore concentrates. Esperance Mining was required to supply crude ores mined from the Esperance Mine to us for beneficiation. During the period from the commencement date of the Cooperation Agreement in June 2011 to 31 December 2011 and the year ended 31 December 2012, we produced and owned 7.8 Kt and 164.0 Kt of iron ore products by using raw ores supplied by Esperance Mining.

Rendering of services refers to the beneficiation services provided to Esperance Mining. Pursuant to the Cooperation Agreement, Esperance Mining was to provide crude ore for our beneficiation at no monetary consideration. In exchange, we were entitled to 58% of the iron ore concentrates produced and to purchase the remaining 42% from Esperance Mining at the price reached upon commercial negotiation between Esperance Mining and our Group with reference to the prevailing local market price, which is in general lower than international iron ore market price. Therefore, the receipt of the 58% of the iron ore concentrates produced is regarded as the payment for the beneficiation services provided. According to the relevant accounting standard and as disclosed under the breakdown of revenue generated through the rendering of services, beneficiation services provided by our Group shall be accounted for and calculated based on the fair value of the iron ore products produced in Project Esperance, which made reference to the purchase price of the remaining 42% iron ore products from Esperance Mining. For further details, please refer to the section headed “Financial Information — Description of Selected Combined Statement of Comprehensive Income Items - Revenue” of this prospectus.

Since the mining lease of the Esperance Mining is held by Esperance Mining, which is an Independent Third Party while we were merely granted the contractual right to, among others, install the beneficiation facilities at the Esperance Mine and to carry out beneficiation activities, it is therefore practically infeasible for us to compel Esperance Mining to commission an independent technical report. After reaching mutual consent, a termination agreement was entered into between Esperance Mining and us on 10 April 2013 to terminate the Cooperation Agreement with immediate effect and neither party shall be entitled to any penalties pursuant to such termination. Two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is

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expected to complete in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended and such relocation will incur cost of USD720,000 among which USD690,000 would be capitalised and USD30,000 would be recognised as expense in profit or loss in 2013. Based on the management's best estimate, the components of the capitalised relocation cost primarily include (i) land levelling and dismantling cost for the site formation on Ibam Mine (ii) reinstallation fee and (iii) construction cost of infrastructure for site formation on Ibam Mine. The capitalised relocation cost is expected to depreciate using the straight-line method over its useful life. It is further expected that, pursuant to the termination, our Group may not be able to secure a contractual long-term supply of crude ore from the Esperance Mine under the Cooperation Agreement. Nevertheless, depending on the prevailing market conditions, we may negotiate with Esperance Mining for the supply of crude ore on a case-by-case basis in future. Should our Company enter into any cooperation arrangement after the Listing in a manner that is similar to the Cooperation Agreement, our Company undertakes to provide a competent person's report in this regard and comply with Chapter 18 of the Listing Rules. Where the details of relevant resources and/or reserves are publicly disclosed, our Company will also update the same in the annual report in accordance with the reporting standard under which they are previously disclosed.

Given the fact that (i) no penalty will be imposed on our Group pursuant to the termination of the Cooperation Agreement; (ii) the short period of disturbance to our operation and small monetary amounts used in relocating the two beneficiation lines from the Esperance Mine to the Ibam Mine; (iii) the consequence of no revenue will be contributed from Project Esperance to our Group upon the termination of the Cooperation Agreement can be compensated by the ramping up of production from Project Ibam according to our expansion plan and production capacity, which is expected to increase from 230,000 tonnes in 2012 to 1.2 million tonnes in 2013, representing an increase of 421.7% and further increase to 2.5 million tonnes in 2014, representing an increase of 108.3%; (iv) the economies of scale as a result of the ramping up of production in Project Ibam going forward will to a large extent offset the negative impact on our gross profit margin resulting from the termination of the Cooperation Agreement, due to Project Esperance contributed a higher gross profit margin to our Group, maintained at a level above 60%, during the Track Record Period whereas Project Ibam contributed a slightly lower gross profit margin of 38.0% and 46.1% in 2011 and 2012; and (v) our selling and distribution expenses, administrative expenses and other miscellaneous expenses are incurred varied with our revenue and will not be affected by the termination of the Cooperation Agreement, our Directors are of the view that the termination of the Cooperation Agreement will not have a material adverse impact to our Group's operation, liquidity position and financial results. Our Directors further confirm that to the best of our knowledge, none of our connected persons has the intention to take over the cooperation business with Esperance Mining. As such, our Directors consider that there is not and will not be any competition issues in this regard.

### **(2) Trading**

During the Track Record Period, we also engaged in trading of iron ore concentrates and iron ore fines. In response to our customers' demand and not for speculative purpose, we source iron ore concentrates and iron ore fines with iron content above 53% from suppliers in Malaysia for onward sales to our PRC customers. Our trading customers engage in trading activities with us instead of direct sales from the iron ore suppliers in Malaysia because (i) instead of sourcing from a single supplier, it is not uncommon to source a batch of iron ore products from several iron ore suppliers.



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Since our trading customers are primarily based in the PRC without any operation/presence in Kuantan, and leveraging on our network of Malaysian suppliers, we are relied upon by the trading customers to source for iron ore products in Malaysia by coordinating the logistic arrangement among different local mines and acting as a convenient platform; and (ii) we have maintained a stable business relationship and reputation with our trading customers as, among other things, we monitor the quality of the iron ore products sourced from our trading suppliers by conducting iron grade testing at the Kuantan Warehouse and at the berth before loading. During the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, we sold 82.0 Kt, 115.3 Kt and 150.1 Kt, respectively and derived 100.0%, 46.7% and 30.3% respectively of our revenue from trading of iron ore concentrates and iron ore fines.

As part of our trading strategy, we adjust the iron ore products purchase and sales volume from time to time based on available market information and our experience in the iron ore price trends. In general, in order to manage the risk associated with price fluctuations and inventory accumulation, we source iron ore products in quantity and quality in accordance with our clients' demand and maintain a minimal level of inventory for our trading business. In order to manage the risk of iron ores price fluctuation, we strive for as short a time gap as possible between sales terms negotiation and signing of sales contracts as well as between signing of sales contracts and product delivery. In general, we negotiate the sales terms with our suppliers within three days as we negotiate the sales terms with our trading customers. The day on which iron ore products are supplied by our suppliers and the day on which we deliver the products to our trading customers is typically separated by a period of 10 days. We take into account the iron ore products market conditions in both Malaysia and the PRC and will suspend the trading activities where the price of iron ore products fluctuate vigorously. During the Track Record Period, we made profit for every transaction of trading of iron ores. Mr. Li is in charge of relevant risk controls. Mr. Li has been in charge of our trading business and heavily involved in price negotiation with our suppliers and trading customers since he joined our Group in December 2009.

Our Directors consider that it is not our long-term strategy to actively participate in trading business as our main focus is still to expand our mining, crushing and beneficiation capacities of our projects. As such, revenue from our trading business is expected to account for a smaller proportion of our Group's revenue going forward. For details of our business strategies, please refer to the paragraph headed "Our Business Strategies" in this section.

### **(3) Besol Mine and Talam Mine (Discontinued business)**

#### *Besol Mine*

In May 2008, Capture Advance acquired a 20-year exclusive mining right of the Besol Mine pursuant to the Besol Mining Rights Agreement. Capture Advance was entitled to the exclusive right to mine within the stipulated period if the Besol Mine was still available for continuing mining. Pursuant to the Besol Mining Rights Agreement, Capture Advance was obliged to pay to the counter party of the Besol Mining Rights Agreement USD400,000 as the mining right transfer fee within ten days after the date of the Besol Mining Rights Agreement and a subsequent mining right transfer fee of USD600,000 ten years after the date of the Besol Mining Rights Agreement. Capture Advance would also be required to pay to the counter party of the Besol Mining Rights Agreement each month

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a fixed rate of USD14 (equivalent to RM44) per tonne of iron ore mined from the Besol Mine. For the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the period from 1 January 2011 to March 2011, we sold nil and 64.2 Kt, respectively, of iron ore products by using raw ores mined and extracted from the Besol Mine and we derived revenue of nil and USD7.1 million from the Besol Mine, respectively. Although the business operation of the Besol Mine was profitable, we decided to dispose of our interests in the Besol Mine in March 2011 pursuant to the Asset Transfer Agreement, and reallocated our resource to the development of the Project Ibam which was commenced after the development of the Besol Mine because of the reasons and factors including: (i) the Besol Mine is located in a relatively remote area in Pahang and is far from the coastal port resulting in a higher actual production cost than expected; (ii) the Besol Mine covered a prospecting area of approximately 87.2 acres (approximate 0.353 sq. km.), while Ibam Mine covered a prospecting area of approximately 1.359 sq. km. with a total probable reserve of the Ibam Mine (reported at a 35% Fe cut-off grade) of 105 Mt at an average grade of 44.8% total Fe as at 31 December 2012. Further, the resource of the Besol Mine was yet to be determined. We consider Ibam Mine contain more and better quality resources and reserves as compared to the Besol Mine; and (iii) according to the relevant mining agreements, the mining fee paid by us for iron ore mined from the Besol Mine and Ibam Mine were USD14 (equivalent to RM44) and RM40 per tonne, respectively. The mining fee for Ibam Mine is 10% lower than that of the Besol Mine, which in return can enhance our Group's gross profit margin.

### *Talam Mine*

In January 2009, Capture Advance entered into an agreement to acquire the exclusive mining right of the Talam Mine pursuant to the Talam Mining Rights Agreement. The counterparty of the Besol Mining Rights Agreement is also the counterparty of the Talam Mining Rights Agreement. The transfer of the mining right of the Talam Mine was effective upon the counterparty of the Talam Mining Rights Agreement acquiring the mining lease. Capture Advance would be entitled to the exclusive right to mine within the stipulated period if the Talam Mine was still available for continuing mining. Pursuant to the agreement, Capture Advance was obliged to pay to the counterparty of the Talam Mining Rights Agreement USD1,350,000 as the mining right transfer fee within ten days after the counterparty acquired the mining lease and a subsequent mining right transfer fee of USD1,650,000 ten years after the counterparty acquired the mining lease. Capture Advance would also be required to pay a fixed rate of USD14 (equivalent to RM44) of iron ore mined from the Talam Mine each month. However, a sample analysis report commissioned by an Independent Third Party in 2010 revealed that the geological conditions and characteristics of iron ores found in the Talam Mine were unfavourable to beneficiation due to the low iron grade and high level of impurities, we therefore considered that it was not economically viable to process the iron ores and we did not mine and process any iron ore from the Talam Mine prior to the disposal of our interests in the Talam Mine in March 2011 pursuant to the Asset Transfer Agreement. We did not generate any revenue from the Talam Mine.

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The counterparty of the Besol Mining Rights Agreement and the Talam Mining Rights Agreement and Capture Advance confirmed that no party shall have any claim against the other under the Besol Mining Rights Agreement and the Talam Mining Rights Agreement.

Capture Advance has incurred expenses in the sum of USD3,700,000 in respect of both the Besol Mine and Talam Mine prior to the date of the Asset Transfer Agreement. Pursuant to the Asset Transfer Agreement and a written confirmation dated 13 August 2012, in consideration of the counterparty of the Besol Mining Rights Agreement and the Talam Mining Rights Agreement agreeing with Capture Advance to renounce our rights under the Besol Mining Rights Agreement and the Talam Mining Rights Agreement, counterparty of the Besol Mining Rights Agreement and the Talam Mining Rights Agreement has agreed to pay Capture Advance the sum of USD3,700,000, being the expenses incurred by Capture Advance. At the request of Best Sparkle, Capture Advance has assigned the right to collect the sum of USD3,700,000 to be paid to Ms. Ang and Mr. Cheah as partial settlement of the purchase consideration for the purchase of 19 ordinary shares in Pacific Mining by Best Sparkle in July 2011.

None of our Directors, their respective associates or any Shareholders holding more than 5% of our issued share capital, has any legal or beneficial interests in the mining rights in relation to the Besol Mine and Talam Mine.

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### THE IBAM MINE

#### Location and infrastructure

The following map illustrates the location of the Ibam Mine within Malaysia and highlighted route from the Ibam Mine to Kuantan:



*Note: Esperance Mine and Miva Mine are located in close proximity with each other and are near the Ibam Mine.*

Iron ore reserves are found at the Ibam Mine which is located 4 km northwest of the township of Bukit Ibam, the State of Pahang, Malaysia. The Ibam Mine is approximately 18 km by dirt road northwest of Bukit Ibam and approximately 150 km by dirt and sealed road from Kuantan Port.

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### Mineral Resources, Ore Reserves and iron ore properties

The following table sets forth an estimation of our Mineral Resources at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

<b>Classification</b>	<b>Quantity (Mt)</b>	<b>Iron grade (%)</b>
Measured	110	46.7
Indicated	—	—
Inferred	42	46.4
<b>Total</b>	<b>152</b>	<b>46.5</b>

*Source: Independent Technical Report*

The following table sets forth an estimation of our Ore Reserves at the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2012:

<b>Classification</b>	<b>Ore quantity (Mt)</b>	<b>Iron grade (%)</b>
Proved	—	—
Probable	105	44.8
<b>Total</b>	<b>105</b>	<b>44.8</b>

*Source: Independent Technical Report*

In addition, according to the Independent Technical Report, there is an estimate of a combined measured and inferred resource of 79.3 Mt of iron mineralisation for ore with a lower iron grade between 20% and 35%, which may also be excavated and processed by us to produce iron ore products.

Mineralisation at the Ibam Mine is dominantly haematite. The raw ore mined from the Ibam Mine has simple mineralogy with 75% haematite, 15% magnetite and 10% quartz sericite and lithic fragments. Both haematite and magnetite are iron oxides. Haematite with minimum amount of magnetite is particularly favourable for upgrading due to the ease in extraction and upgrading. Through washing, crushing and magnetic separation process, the iron ore concentrates become quality export grade products with iron grade equal to or greater than 58%.

The mine life of the Ibam Mine is expected to be longer than 27 years on the basis that a 10% combined dilution and loss of ore tonnage from the total estimated resource of 152 Mt is allowed and a total ore mining tonnage of 5 Mt a year (the planned mining volume to be achieved by 2015 excluding quantity of stripping rock), is used.

No material changes have occurred in our ore reserves and resources since the effective date of the Independent Technical Report as set out in Appendix IV to this prospectus.

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The Ibam Mine is an open-pit mine. Our reserves generally have geological conditions and characteristics favorable to low-cost mining and production. Mineralisation at the Ibam Mine is largely non-outcropping and under cover. The ore at our mine has low levels of impurities, such as sulphur, phosphorus and silicon. As a result, we are able to use relatively simple magnetic separation methods to process raw ore in the production of iron ore products, which are low-cost and environmentally friendly as they do not require any chemical reagents. For technical details of the geology of our mine and the grades of our reserves, please refer to the paragraphs headed “Geology” and “Mineral resources and ore reserves” in the section headed “Appendix IV — Independent Technical Report” in this prospectus.

The following table summarises certain information about the Ibam Mine:

**Background data:**

Mining rights area (sq.km.)	1.359
Current mining lease expiration date (month/year) <sup>(Note 1)</sup>	12/2016

**Production data:**

Current mining method	Open-pit
Ore production volume in 2012 (Kt)	178.8
Average stripping ratio <sup>(Note 2)</sup>	1.97
Average recovery rate (%) <sup>(Note 3)</sup>	91.8
Average concentrate yield (%) <sup>(Note 3)</sup>	71.4

*Notes:*

1. The term of the Mining Lease is subject to renewal.
2. It represents the ratio of the volume of overburden (or waste material) required to be handled in order to extract one unit volume of ore. The mining operation at the Project Ibam has a low stripping ratio due to its geological conditions and characteristics.
3. In respect of the Ibam Mine, for a raw material consisting of 46.2% TFe grade, a concentrate of 59.4% TFe grade could be obtained, which represented a concentrate yield of 71.4% of feed tonnes and a recovery rate of 91.8% of the feed iron.

### Prospecting and mining rights

#### *Prospecting Licence*

Gema Impak was granted the Prospecting Licence on 26 August 2009 pursuant to which Gema Impak has the right to, among other things, explore on an exclusive basis for any mineral within the limits of the prospecting area at the site of the Ibam Mine for a term of two years commencing from 1 September 2009 and expired on 31 August 2011. Major exploration activities at the Ibam Mine had been conducted during the validity of the Prospecting Licence. As advised by Ben & Partners, a prospecting licence is not required for conducting exploration activities at the Ibam Mine and we are allowed to conduct exploration activities at the Ibam Mine during the validity period of the Mining

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Lease as it is a right conferred under the Mining Lease and hence lawful and permitted activity under the Pahang Mineral Enactment 2001. Since Gema Impak obtained the Mining Lease in December 2010 which, among others, allows exploration activities within the boundary of the Ibam Mine during the validity of the Mining Lease, the Prospecting Licence has not been renewed.

### *Mining Lease*

Gema Impak is the registered holder of the Mining Lease under which Gema Impak has been granted the right to extract and mine iron ores on the Ibam Mine subject to terms and conditions as stipulated therein for a period of six years commencing from 16 December 2010 and expiring on 15 December 2016. We have been granted the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine pursuant to the Mining Agreement.

Gema Impak was incorporated in Malaysia on 4 December 2006. After the Reorganisation, Pacific Mining holds the 50% shareholding interest in Gema Impak as nominee for the Original Shareholders and we are entitled to exercise the Voting Rights for matters related solely to Project Ibam. Gema Impak, as the legal holder of the Mining Lease, may grant the mining right to another party or engage another party as operator or contractor to carry out mining activities at the Ibam Mine. Our Directors are of the view that it is in accordance with the common practice of the industry for legal holder of a mining lease to engage another party to carry out mining works on the mining site in Malaysia. As advised by Ben & Partners, the terms and conditions attached to the Mining Lease do not impose any restrictions on the nationality of the beneficial and legal owners of Gema Impak.

Pursuant to the Pahang Mineral Enactment 2001, if, among other things, the lessee has (i) complied with the terms and conditions specified in the original lease; (ii) complied with the requirements of the relevant mining legislations and regulations including but not limited to the Pahang Mineral Enactment 2001; and (iii) shown to the satisfaction of the relevant authority that there are mineral reserves to justify a renewal, or there is a need to maintain the property for use as an integral part of the mining operations on the adjoining mining land, the mining lease shall be renewed. Our Directors are of the view that the Group will, barring unforeseen circumstances, be able to fulfil and comply with the terms, conditions and requirements, stated in the Mining Lease, the Pahang Mineral Enactment 2001, the Pahang Mineral Regulations 2005 and relevant mining legislations. Based on the foregoing, Ben & Partners is not aware of any legal impediment for renewal of the Mining Lease.

Pursuant to the Mining Lease, Gema Impak is subjected to the following terms and conditions:

- The mining scheme has to be conducted as a small scale operation (as defined in the Pahang Mineral Enactment 2001);
- The subject mining land under the Mining Lease cannot be transferred, leased or charged unless with the written approval of the Ruler or the State Executive Council as defined under Section 2 of the Pahang Mineral Enactment 2001 (“**State Authority**”);

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- All levels of salaried employees must be the citizens of Pahang or Malaysian citizens and fifty per cent (50%) thereof shall at all times comprise of Bumiputera, being citizen of Malaysia having indigenous Malay ancestry and natives;
- The licensee shall commence rehabilitation work on the leased mining area as approved by the State Mineral Resources Committee of Malaysia;
- The licensee shall notify the Director of Lands and Mines appointed under Section 7 of the National Land Code (“**Director of Lands and Mines**”) and the Superintendent of Mines appointed under Section 7 of the Pahang Mineral Enactment 2001 (“**Superintendent of Mines**”) upon commencement of any development work within the leased mining area and fourteen (14) days before mining work commences;
- The mining work conducted shall comply with the operation mining scheme approved under Section 10 of the Mineral Development Act 1994;
- The royalty rate for other minerals not stated in First Schedule of the Pahang Mineral Regulations 2005 will be determined by the State Directors of Lands;
- Not allowed to mine, dump/accumulate waste, build barns or cause any disturbance within ten (10) meters from any tributary;
- Not allowed to divert or disturb the water supply of rivers unless prior notification is made to the Director of Lands and Mines or the Superintendent of Mines for rivers not more than five (5) meters in width;
- Three (3) months written notice shall be given to the Director of Lands and Mines prior to proposed discontinuance of mining operations; and
- The State Authority can instruct mining work to be immediately discontinued and operations to be stopped without any compensation in the event the mining work causes contamination/ pollution to the environment and nuisance to the public or to the land/ farm around the mining leased area.

Pursuant to the Mining Lease and Section 72 of the Pahang Mineral Enactment 2001, Gema Impak shall:

- cause to be kept true and sufficient books of account of the mining and other business carried on upon the mining land and of the disposal of the minerals obtained; and to produce such books upon a request by the authorised officers;
- submit such information and periodical activity reports as may be prescribed;
- allow scientific surveys if there is no interference with mining;



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- maintain the mining land under the lease to a safe state and to such environmental standards as may be prescribed;
- comply with the approved environmental impact assessment, if such assessment is required under any written law;
- comply with the approved plan for rehabilitation, if required under the Pahang Mineral Enactment 2001;
- allow over or through the mining land access to any adjoining land as shall not, in the opinion of the Superintendent of Mines, interfere with mining operations;
- allow the construction and use on the mining land of such watercourses, canals, pipelines and transmission lines, public roads and public utilities as shall not, in the opinion of the Superintendent of Mines, interfere with mining operations or rights under the lease;
- in the case of a mining lease authorising a small scale operation, shall not conduct any large scale operation on the mining land; and
- in the case of a mining lease authorising a large scale operation, shall not conduct any small scale operation on the mining land.

### **Our contractual rights under the Mining Agreement**

#### *Mining Agreement*

On 26 October 2009, Gema Impak and Pacific Mining entered into the Mining Agreement pursuant to which Gema Impak granted Pacific Mining, inter alia, the rights to carry out mining of iron ore at the Ibam Mine with full and exclusive authority subject to the terms and conditions of the Mining Agreement. Under the Mining Agreement, Pacific Mining is allowed without conditions to appoint any third parties to carry out the mining works on its behalf and the right to extract the iron ore from the Ibam Mine shall not be granted by Gema Impak to any other parties.

Pursuant to the Deed of Appointment dated 11 May 2012, Pacific Mining has appointed Capture Advance as its contractor to manage, supervise, conduct and carry out mining activities at the Ibam Mine at Capture Advance's own costs and expenses, which shall be in compliance with the Mining Agreement vis-a-vis all obligations of Pacific Mining under the Mining Agreement shall be discharged by Capture Advance in a timely, efficient and prudent manner. The mining activities include but not limited to all exploration, mining and reclamation related works and appointment of sub-contractors to carry out all or any part of the mining activities thereof. Capture Advance shall apply and obtain all approvals, consent, permits and licences required to enable Capture Advance to carry out mining activities at the Ibam Mine and undertake to comply with all the terms and conditions stipulated therein. Capture Advance shall also comply with all applicable laws, regulations and guidelines in carrying out the mining activities. The Deed of Appointment is deemed to be effective from 1 January

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2010 and shall continue until the expiry of the Mining Lease or any renewal thereof, whichever is later unless otherwise determined by Pacific Mining and Capture Advance. Ben & Partners are of the view that the Deed of Appointment is valid, subsisting, binding and enforceable between Pacific Mining and Capture Advance.

### *Duration and extension*

Pursuant to the Mining Agreement, Pacific Mining's right to carry out mining of iron ore is effective during the tenure of the Mining Lease, the initial term of which commenced on 16 December 2010 and will expire on 15 December 2016. According to the laws and regulations in Malaysia, the holder of a mining lease may apply for renewal of the mining lease in a prescribed form at least twelve months prior to expiry of the initial term of the mining lease. Gema Impak has undertaken to apply and obtain all necessary licences, approvals, permits as may be necessary to enable us to carry out mining activities at the Ibam Mine including but not limited to the application for the extension of the Mining Lease prior to its expiry. Subject to any restrictions as may be imposed by the relevant governmental authorities, Gema Impak shall use its best endeavours to procure that the tenure of each extension shall not be less than five years. The duration of an initial term of a mining lease and subsequent renewal thereof is determined by the State Authority of Pahang on a case to case basis taking into account the economic life of the mine or mining operations, as the case may be. While there are other cases with similar duration, our Directors consider that it is not unusual for the State Authority of Pahang to grant an initial term of six years of mining lease to a mining lease holder and extend the mining lease to a term of not less than five years. The tenure of the Mining Agreement will be automatically extended according to the term of each subsequent extension of the Mining Lease. There is no further or additional conditions or obligations to be imposed on Pacific Mining for each of the extended term of the Mining Lease and no additional consideration is payable to Gema Impak by Pacific Mining for such extension under the Mining Agreement, other than the Mining Fee.

### *Fee and sales proceed*

In consideration of Gema Impak agreeing to grant to Pacific Mining the exclusive right to explore, mine, extract and sell iron ore products produced from the Ibam Mine, Gema Impak is entitled to receive from Pacific Mining the Mining Fee of RM40 (equivalent to USD12.6) per tonne of iron ore products sold by Capture Advance (pursuant to the Deed of Appointment) resulting from the mining activities at the Ibam Mine. On the basis that the Mining Fee of RM40 (equivalent to USD12.6) per tonne of iron ore products sold was determined with reference to (i) the then market price of iron ore products at the time the Mining Agreement was entered into (according to the Antaike Report, the imported CIF price from Malaysia to PRC was approximately USD75 per tonne); (ii) the fixed rate of USD14 (equivalent to RM44) per tonne of iron ore mined from the Besol Mine and Talam Mine pursuant to the Besol Mining Rights Agreement and Talam Mining Rights Agreement, respectively; and (iii) according to the Antaike Report, the Mining Fee is also within the range of fees payable by the mine operator to the land owner as "resource/leasing fee" in Malaysia, the Directors considered that the Mining Fee was a normal commercial term. Based on publicly available information, the Sole Sponsor concur with the view of the Directors that the Mining Fee was on normal commercial terms as (i) the mining right leasing or sub-leasing arrangements are common in Malaysia; and (ii) the Mining Fee is comparable and within the range of RM30-80 per tonne of iron ore paid as "resource/leasing fee" in Malaysia according to the Antaike Report. According to the Mining

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Agreement, unless otherwise agreed in writing, the mining fee payable by Pacific Mining will remain to be RM40 per tonne and will not be changed during the term of the Mining Lease and each extension thereof.

We submit monthly report in respect of the quantity of iron ore products sold by us to Gema Impak and we settle the mining fee with Gema Impak pursuant to the Mining Agreement every month. In ascertaining the quantity of iron ore products sold, Gema Impak is entitled to check our weighing receipts under the Mining Agreement and it also conducts on-site inspection at the Ibam Mine from time to time. Under the Mining Agreement, except for the Mining Fee, Gema Impak does not have the right to claim for any additional payment or to claim for any proceeds from the sale of iron ore by Pacific Mining (through Capture Advance pursuant to the Deed of Appointment).

### *Obligations*

Pursuant to the Mining Agreement, any application of permit to mine and extract iron ore from the Ibam Mine must be made in the name of Gema Impak and all costs applicable to obtain such permits but not the Mining Lease will be borne by Pacific Mining. It is estimated that the costs to be incurred for the renewal of the Mining Lease (including rent for the land, rehabilitation fee, and processing fee for the Mining Lease) to enable Pacific Mining to carry out the mining activities at the Ibam Mine for a period of six years amounts to RM142,000 (equivalent to USD44,696). Such amount is calculated with reference to, among other things, the area of the Ibam Mine and the tenure of six years of the Mining Lease in accordance with the prevailing rate. The cost payable for the Mining Lease is an annual rental of RM100 (equivalent to USD31.5) per hectare (based on the mining lease area after deducting areas where mining work cannot be conducted, eg. river, etc.) as determined by the Jabatan Ukur dan Pemetaan Pahang (Department of Survey and Mapping, Pahang); and the rehabilitation fee (of RM10,000 per annum) (equivalent to USD3,148), which shall be payable into the common rehabilitation fund for all small scale operators during the tenure of the mining lease at the time when the mining lease is issued and/or renewed. On the assumption that the above rates remain the same upon application by Gema Impak to renew the Mining Lease upon its expiry, the annual cost for each year of the Mining Lease granted is RM23,550 (equivalent to USD7,413). Under the applicable laws and regulations of Malaysia, the total cost required for the renewal of the Mining Lease is RM223 (equivalent to USD70) for each renewal application. Gema Impak is responsible to pay for costs and fees for renewal of the Mining Lease pursuant to the Mining Agreement. Pacific Mining is therefore not responsible to bear such costs and fees save for the rehabilitation fee which shall be paid by Gema Impak and reimbursed by Pacific Mining.

Gema Impak has undertaken to apply for and obtain all necessary licences, approvals, permits as may be necessary to enable Pacific Mining to carry out the mining activities at the Ibam Mine. All costs, fines or summons or any court action commenced by any third parties resulting from the mining works will be borne by Pacific Mining and Pacific Mining shall at all times indemnify Gema Impak against any action instituted by any third parties arising from the mining works carried out by Pacific Mining. Gema Impak is liable to pay the royalty of 5% of the market value of the mineral won from the Ibam Mine pursuant to the Pahang Mineral Enactment 2001, the Pahang Mineral Regulations 2005 and the terms and conditions attached to the Mining Lease. The amount of royalty payable is

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calculated based either on (i) a percentage of the market value of the mineral won, as prescribed in the Pahang Mineral Regulations 2005; or (ii) an amount payable on the basis of any specified volume or weight of the mineral won. According to the Mining Agreement, Gema Impak shall bear all duties and taxes (including royalties) payable under all applicable laws and regulations in respect of all iron ores mined, extracted and sold by Pacific Mining resulting from mining activities at the Ibam Mine. The Directors confirm that such duties and taxes in substance refer to the royalties in respect of iron ore mined at the Ibam Mine. Pacific Mining is not obliged to reimburse such payables to Gema Impak as it has only been granted the right to explore, mine, extract and sell iron ore but is not permitted, pursuant to the Mining Agreement, to mine, extract and sell any other minerals mined or found at the Ibam Mine. Pacific Mining is allowed without conditions to appoint any third parties to carry out the mining works on its behalf and Gema Impak shall not grant the right under the Mining Agreement to any other parties.

Under the Mining Agreement, Pacific Mining is required to, among other things, perform and/or observe the following duties, the failure of which might constitute a breach of the Mining Agreement and hence warrant an unilateral termination by Gema Impak if Pacific Mining fails to rectify the breach:

- managing and carrying out mining works in accordance with the standard mining practice at its own costs and expenses;
- obeying all laws, regulations, by-laws in force and instructions of the relevant local and state authorities regarding the mining works;
- employing personnel at its own costs for smooth operation of the mining works;
- adhering to all terms and restrictions contained in the Mining Lease;
- employing supervisory workers and qualified chageman at its own costs and expenses to fulfil the electrical requirement as may be required by the Electricity Supply Department of Malaysia and ensuring all efforts are taken in accordance with the applicable regulations;
- building security fencing around the factory prior to commencement of mining operation at its own costs and expenses;
- taking safety measures to maintain security level to ensure smooth running of the works and the mining area is safe and controlled;
- allowing construction and usage of any public road or public amenities through the mining land to any contiguous land which in the opinion of the mine supervisor would not interrupt mining operations;
- informing Gema Impak at least two days prior to any production of iron ore or any mineral from the Ibam Mine; and

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- declaring to Gema Impak the amount of iron ore extracted and produced by providing valid receipts/invoices on a monthly basis and submitting all mining scheme, plan and data in the first week of each month.

Pacific Mining is contractually obligated to discharge and perform its obligations and responsibilities as set out in the Mining Agreement. However in discharging and performing its obligations and responsibilities, Pacific Mining is not acting as an agent of Gema Impak. Furthermore, the Mining Agreement does not grant Gema Impak any right to influence or control the works to be carried out by Pacific Mining on the Ibam Mine. In the event of any breach by Pacific Mining pursuant to the terms of the Mining Agreement, Gema Impak may terminate the Mining Agreement and claim for compensation/ damages suffered.

As mentioned above, our Group has only been granted a contractual right to explore, mine, extract and sell iron ore products produced from the Ibam Mine. The Mining Lease is registrable under the Pahang Mineral Enactment 2001, which provides that the duly registered mining lease shall be conclusive evidence that the lease of the land described therein is vested in the person or body for the time being registered as the lessee. Further, the Pahang Mineral Enactment 2001 and National Land Code 1965 of Malaysia provide that the title or interest registered in whose name such lease is for the time being registered, shall be indefeasible. As advised by Ben & Partners pursuant to the enquiries made with the Office of Director of Lands and Mines Pahang, Gema Impak has subsequently vide the Mining Agreement conferred to Pacific Mining an exclusive right to mine iron ore and notwithstanding such contractual arrangement, Gema Impak remains the registered lessee of the Ibam Mine pursuant to the Mining Lease. The interest of Pacific Mining in the Mining Lease does not constitute a “lease of land” or a sub-lease of the Ibam Mine in favour of Pacific Mining and thus it is not registrable under the Pahang Mineral Enactment 2001 as the Mining Agreement merely confers Pacific Mining a contractual right to explore, mine, extract and sell iron ores produced from the Ibam Mine.

After the Reorganisation, Pacific Mining holds the 50% shareholding interest in Gema Impak as nominee for the Original Shareholders. Pacific Mining is entitled to exercise the Voting Rights for matters related solely to Project Ibam. Pacific Mining is only contractually entitled to such rights as set out in the Protection Enhancement Arrangement and is not beneficially entitled to any shareholder’s right as provided under the memorandum and articles of association of Gema Impak, such as the right to nominate directors or receive dividend or share profits or the power to participate in the financial, management and operating policy of and/or any decision making of Gema Impak. Please refer to the section headed “History and Corporate Structure” of this prospectus for further details of the Protection Enhancement Arrangement.

Gema Impak issued a confirmation in May 2012, confirming that it had complied with all the terms and conditions of the Mining Lease. Furthermore, Gema Impak has undertaken to render full cooperation to Pacific Mining to ensure the success of the Mining Agreement and regular meetings are held between our Group and Gema Impak. Should there be any default on the part of Gema Impak (including the failure to pay the royalties of Ibam Mine to the Malaysian government on a timely basis), non-performance of its obligations under the Mining Agreement, or failure to apply for extension of the Mining Lease, Pacific Mining may at its election claim for damages or seek the

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remedy of specific performance pursuant to the laws of Malaysia. In addition, our Group may avail ourselves of the remedy of injunctive relief and seek a mandatory injunction to direct Gema Impak to perform and discharge its obligations under the Mining Agreement and pursuant to the laws of Malaysia.

The Mining Agreement also provides that Gema Impak shall not grant any right to any other parties to extract any minerals from the Ibam Mine and shall accord full cooperation to Pacific Mining to ensure success of the agreement. In the event Gema Impak carries out any works that may adversely affect our Group's mining of iron ore at the Ibam Mine, our Group may claim for damages (if our Group suffered any damages) and/or injunctive relief to prevent Gema Impak from carrying out such works on the Ibam Mine.

In addition, we have the following internal control procedures in place to ensure compliance with the terms and conditions under the Mining Lease and the Mining Agreement including (i) specific personnel, namely Mr. Wang Er and Mr. Diao Dalin, have been assigned as our compliance officers in October 2012 and have been designated with the duties to report to our Board directly on a monthly basis to ensure that our operations are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to our Board should there be any internal control deficiencies; (ii) retaining Ben & Partners as our Malaysian legal advisor in October 2012, who will provide advice to the Board and our compliance officers on an ongoing basis in respect of all relevant Malaysia laws and regulations, including changes to such laws and regulations, which may affect our business operations in Malaysia; (iii) with the assistance of Ben & Partners, conducting regular compliance training for our management, compliance officers and relevant employees in respect of mining operation in Malaysia. For details of the internal control measures which are designed to monitor of our mining operation in Malaysia, please refer to the paragraph headed "Regulatory Compliance" under this section of this prospectus.

### *Termination*

In addition, Pacific Mining has the right to terminate the Mining Agreement by giving one month written notice to Gema Impak if any event occurs at the Ibam Mine or any part thereof resulting in Pacific Mining being unable to perform the mining works. Furthermore, subject to the prior written consent of Pacific Mining, Gema Impak shall not terminate the Mining Agreement during the term of the Mining Lease, including each subsequent extension thereof, unless such termination is due to any breach of terms of the Mining Agreement by Pacific Mining which warrants such termination. Please refer to the above section headed "Obligations" of this prospectus for further details.

Ben & Partners are of the view that the Mining Agreement is legal, valid, subsisting and enforceable under the laws of Malaysia and Pacific Mining has the legal rights to mine and extract iron ores from the Ibam Mine and is entitled to sell the iron ore and retain proceeds from the sale subject to payment of the Mining Fee pursuant to the Mining Agreement. Ben & Partners are also of the opinion that it is extremely remote (i) that the Mining Agreement may be subject to any legal challenge by any government bodies as such bodies are not privy to the Mining Agreement and approval or consent of such bodies are not required to execute the Mining Agreement; and (ii) that the Mining Agreement may be subject to any legal challenge by minority shareholders of Gema Impak.

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### Licences and permits

As at the Latest Practicable Date, all necessary licences, permits and approvals relevant for our operation in Malaysia as set forth in this prospectus had been obtained.

The following table summarises the material licences, permits and approvals which are required for our mining and processing operations:

Regulatory requirements	Purpose of licences, permits and approvals	Authority granting licences, permits and approvals	Registered owner of licences, permits and approvals	Issuance date of licences, permits and approvals	Validity period of licences, permits and approvals	Status of renewal
<b>Mining Lease</b>	To permit the licensee to mine mineral at the Ibam Mine subject to terms and conditions stipulated therein	Director of Lands and Mines Pahang	Gema Impak	16 December 2010	16 December 2010 - 15 December 2016	To be renewed before expiry
<b>Mineral Ores Licence</b>	Licence for Capture Advance to buy iron ores within the State of Pahang and to keep the Gebeng Site for the purpose of purchasing and storing iron ores	Minerals and Geoscience Department, Pahang	Capture Advance	6 February 2013	6 February 2013 - 31 December 2013	Application for renewal will be made in the fourth quarter of 2013
<b>Mineral Ores Licence</b>	Licence for Pacific Mining to purchase iron ores within the State of Pahang and to keep the Kuantan Warehouse for the purpose of purchasing and storing iron ores	Minerals and Geoscience Department, Pahang	Pacific Mining	6 February 2013	6 February 2013 - 31 December 2013	Application for renewal will be made in the fourth quarter of 2013
<b>Export Licence</b>	To export up to 50 Kt of iron ores to China per annum ( <i>Note 1</i> )	Ministry of Natural Resources and Environment	Capture Advance	28 November 2012	28 November 2012 - 28 November 2013	Application for renewal will be made in the fourth quarter of 2013
<b>Operational Mining Scheme</b>	To permit development work and mining at the Ibam Mine	Minerals and Geoscience Department, Pahang	Gema Impak	22 March 2013	22 March 2013 - 20 January 2014	Application for renewal will be made in the fourth quarter of 2013
<b>Water Permit</b>	To permit the use of water from the river /stream at the Ibam Mine for the purpose of mining operation	Minerals and Geoscience Department, Pahang	registered holder: Gema Impak operating company: Pacific Mining	22 March 2013	22 March 2013 - 20 January 2014	Application for renewal will be made in the fourth quarter of 2013

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Regulatory requirements	Purpose of licences, permits and approvals	Authority granting licences, permits and approvals	Registered owner of licences, permits and approvals	Issuance date of licences, permits and approvals	Validity period of licences, permits and approvals	Status of renewal
<b>Scheduled Controlled Item Permit</b>	Licence for the purchase and storage of diesel at the Ibam Mine	Ministry of Domestic Trade, Co-operatives and Co-sumerism	Capture Advance	12 June 2013	12 June 2013 - 11 June 2014	Application for renewal will be made in the second quarter of 2014
<b>Business Premises/ Advertisement Licence</b>	To permit the use of the premises prescribed therein for any trade, business or industry	Kuantan Municipal Council	Mr. Li of Capture Advance	(1) 19 June 2012 (2) 6 June 2013	(1) 23 June 2012 - 22 June 2013 (2) 23 June 2013 - 22 June 2014	Application for renewal will be made in the second quarter of 2014
<b>Business Premises/ Advertisement Licence</b> <i>(Note 2)</i>	Warehouse/store for non-food items for the premises at the Gebeng Site	Kuantan Municipal Council	Mr. Li of Capture Advance	10 December 2012	1 January 2013 - 1 January 2014	Application for renewal will be made in the fourth quarter of 2013
<b>Business Licence</b>	Warehouse/store for non-food items for the premises at the Ibam Mine	Rompin District Council	Mr. Li of Capture Advance	1 January 2013	January 2013 - December 2013	Application for renewal will be made in the fourth quarter of 2013
<b>Temporary permit</b>	Temporary permit for the workers quarters erected on the Ibam mine.	Rompin District Council	Mr. Li of Capture Advance	(1) 22 January 2013 (2) 30 April 2013	(1) January 2013 - June 2013 (2) July 2013 - December 2013	Application for renewal will be made in the fourth quarter of 2013

*Notes:*

- (1) In general, we renew the export licence upon reaching the volume of iron ores permitted to be exported thereunder.
- (2) As advised by Ben & Partners, upon enquiries made with the relevant authorities, a company cannot apply the business premises/advertisement licence in its own name as the information of individual representative of the company is required in the application form which inter alia includes the details of the identification card/passport of the individual representative of the company. Therefore, an individual representative of a company is required to hold the business premises/advertisement licence for and on behalf of the company.



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As confirmed by the Company's Malaysian legal adviser, Ben & Partners, the short validity period of the licences, permits and approvals is in line with the industrial norm in Malaysia. Our Directors are of the view that the Group will, barring unforeseen circumstances, be able to comply with the terms, conditions and requirements of all licences, permits and approvals and the relevant legislations in Malaysia. Based on the foregoing, Ben & Partners is not aware of any legal impediment to renew the licences, permits and approvals.

In addition to the licences, permits and approvals set out in the table above, written approval is required to install the machineries currently being operated at the Ibam Mine. We made an application for the written approval to install machineries in May 2012 to Pahang Department of Occupational Safety and Health and have obtained such approval on 7 November 2012. As at the Latest Practicable Date, written approval to install machineries have been obtained for all our machineries. Our Directors undertake that, for new machineries to be installed and operated at the Ibam Mine in future, we will comply with the requirement to obtain written approval to install machineries prior to the installation. For the details of our regulatory compliance, please refer to the paragraph headed "Regulatory Compliance" under this section of this prospectus.

### OUR PRODUCTION OPERATIONS AND FACILITIES

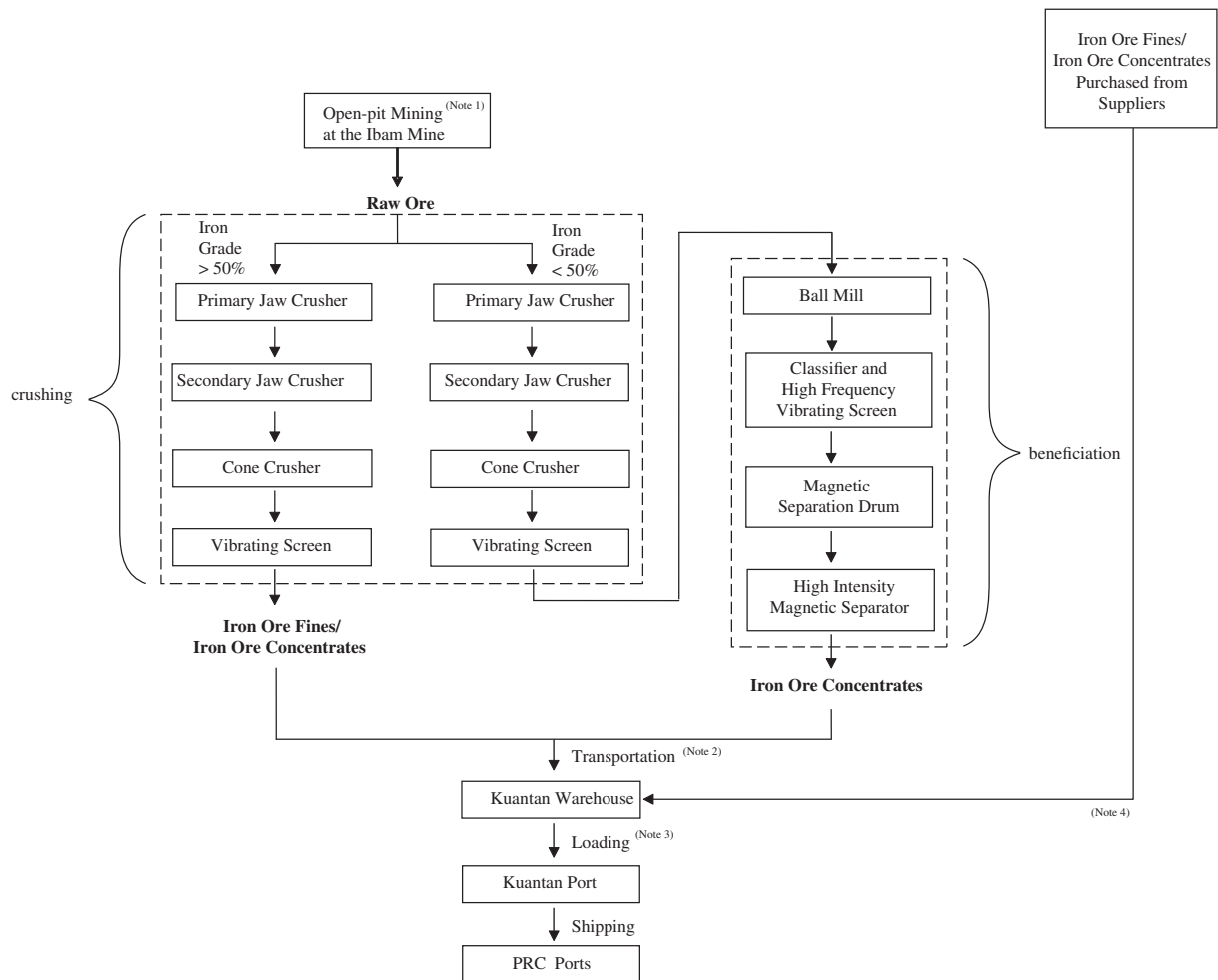
#### Production process

We are primarily engaged in the business of mining and processing of iron ore to produce iron ore products.

During the Track Record Period, we focused primarily on exploring and developing the Ibam Mine. In less than two years since the incorporation of Capture Advance in Malaysia in 2007, the Kuantan Warehouse was constructed, two crushing lines were purchased and installed, preliminary study in respect of the Ibam Mine and prospecting activities thereof were undertaken. Subsequently, we have also developed our own beneficiation lines as well as supporting infrastructure including sourcing water supplies from a retention pond in the Ibam Mine area.

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Our production process involves mining, crushing and beneficiation. The following diagram sets forth our production process of iron ore products as at the Latest Practicable Date:



*Notes:*

- (1) carried out by our Mining Contractor
- (2) carried out by our Transportation Contractor I
- (3) carried out by our Transportation Contractor II
- (4) we source iron ore fines and iron ore concentrates from suppliers in Malaysia for onward sales to our PRC customers

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### Sources of raw ores

#### *Open-pit mining at the Ibam Mine*

The Ibam Mine is operated as an open-pit mine. The open-pit mining method is used to extract iron ores from orebodies by uncovering and mining the iron ore using conventional truck and shovel mining techniques. Waste rocks on the surface are first removed, and then the ore underneath is extracted by drilling, blasting and excavation. The extracted ore is transported by truck to our crushing and beneficiation lines. As at the Latest Practicable Date, we engaged the Mining Contractor to mine our iron reserves. Please see the section headed “Business — The Ibam Mine — Use of contractors” in this prospectus for details.

#### *Esperance Mine*

In addition to mining iron ore from the Ibam Mine, we entered into the Cooperation Agreement with Esperance Mining in respect of the Esperance Mine during the Track Record Period and the same was terminated on 10 April 2013. Pursuant to the Cooperation Agreement, Esperance Mining was to provide crude ore for our beneficiation. We were entitled to 58% of the iron ore concentrates produced. We were also entitled to purchase the remaining 42% from Esperance Mining at the price reached upon commercial negotiation between Esperance Mining and our Group with reference to the prevailing local market price, which is in general lower than international iron ore market price. Esperance Mining agreed to sell its iron ore products to us at a favourable price compared to the prevailing local market price because (i) beneficiation process requires a large amount of capital expenditure. Esperance Mining could substantially reduce its capital expenditure on beneficiation facilities through the Cooperation Agreement; (ii) Esperance Mining benefits from our stable demand for iron ore products produced from the Esperance Mine for we have established sales network and distribution channels in the PRC as we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC; (iii) we are willing to offer favourable payment terms, including prepayments, to Esperance Mining from time to time; and (iv) we are responsible to handle all logistic arrangement, and Esperance Mining does not need to bear any transportation cost or other transaction fee in relation to the sales of the iron ore products by us. Esperance Mining was under no obligation to sell its share of iron ore products to us pursuant to the Cooperation Agreement. For the period from the date of the Cooperation Agreement of 24 June 2011 to 31 December 2011, we did not purchase the remaining 42% of the iron ore concentrates products from Esperance Mining. Since March 2012, we have been supplied with all the mining output of the Esperance Mine and have started to purchase the remaining 42% of the iron ore concentrates products from Esperance Mining.

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### Iron ore processing and processing facilities

#### *Iron ore processing*

As at the Latest Practicable Date, we owned and operated six iron ore beneficiation lines to process raw ore into iron ore concentrates. We also owned and operated two iron ore crushing lines to crush iron ore into suitable fineness. We produce iron ore products through a relatively simple and low cost process which includes ball-milling, magnetic separation process and dewatering. Our processing method is environmentally friendly as it does not require chemical additives and only limited quantities of waste water is produced.

The main phases of our processing operations are:

- *Crushing.* Iron ore is fed into the crushers where it is crushed into pieces through the jaw crusher and cone crusher. The crushed iron ore with iron grade above 50% and suitable fineness will be sold directly to our customers either in the form of iron ore concentrates or iron ore fines. The crushed ore with iron grade less than 50% will undergo the beneficiation process to produce iron ore concentrates that meet customers' requirement;
- *Grinding.* The crushed ore is put through a grinding process using the ball mill, classifier and vibrating sieve. The processed ore is ground to less than 0.1 mm in size;
- *Magnetic separation.* After the grinding stage, the processed ore then undergoes magnetic separation drum and high intensity magnetic separation process to separate iron ore concentrates and non-magnetic tailings. To maximise the extraction of iron ore concentrates and enhance the iron content, the processed ore undergoes the magnetic separation process several times;
- *Concentrate dewatering.* Upon completion of the magnetic separation process, the final iron ore concentrates undergo dewatering process to reduce the moisture content. The final iron ore concentrates can be transported, distributed and sold.

Our processing facilities generate tailings from the magnetic separation process. These tailings are drained by gravity into a tailings storage facility. In addition, we strive to implement environmentally-responsible processes at our processing facilities, by recycling and reusing water from the tailing ponds. We plan to construct a larger tailings storage facility in our expansion plan to process the increasing amount of tailings resulting from our planned growth in ore processing capacities.

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### *Crushing facilities*

As at the Latest Practicable Date, we had a total of two crushing lines with an aggregate annual ore crushing volume of 0.81 Mt. The two crushing lines commenced operation in March 2008. One of the crushing lines was first installed at the Kuantan Warehouse for operational convenience arising from the close proximity of the Kuantan Warehouse and the Kuantan Port. However, in order to support the expanded mining capacity and beneficiation capacity, the crushing line was relocated to the Ibam Mine in the fourth quarter of 2012.

The following table summarises the ore crushing capacity, actual ore crushing volume and utilisation rates during the Track Record Period:

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
<b>Operating crushing facilities</b>			
Approximate ore crushing capacity (Mt)			
<i>(Note 1)</i>	0.46	1.14	1.14
Actual ore crushing volume (Mt)	0.017	0.003	0.15
Approximate utilisation rate (%) <i>(Note 2)</i>	3.69	0.26	13.16

*Notes:*

1. Ore crushing capacity figures represent the crushing capacity of iron ore which are estimates based on a number of factors including equipment capacity and equipment operating hours.
2. Since (i) the beneficiation lines of Project Ibam were not in full operation throughout the Track Record Period; (ii) we engaged other processing contractors to perform crushing works for us; (iii) we had two crushing lines for the two beneficiation lines while the ideal ratio would be one crushing line to two beneficiation lines; and (iv) some of the outcropping raw ores and the raw ores immediately beneath the surface were of smaller size, which rendered crushing not necessary, the approximate utilisation rate for the periods fluctuated and remained at a low level.

The utilisation rate is calculated based on the total actual volume of ore crushed for a given year/period over the ore crushing capacity of iron ore for such year/period. The ore crushing capacity is derived on the basis that the crushing machines of the production lines would operate 16 hours a day throughout a year, except that the number of days on which the beneficiation lines operate is reduced by 70% in January and February due to rainy seasons.

3. Historically, the approximate utilisation rates of our crushing lines during the rainy season of January and February for the year 2011 and 2012 were nil due to crushing facility upgrade and maintenance.

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The following table sets out the volume of iron ore mined and crushed for Project Ibam for the period indicated. For a detailed breakdown, please refer to the paragraph headed “Appendix IV — Independent Technical Report — Mine Production” in this prospectus.

<b>For the year ended</b>	<b>Quantity (t)</b>
31 December 2011	142,134
31 December 2012	262,774

*Source: Independent Technical Report*

### *Beneficiation facilities*

As at the Latest Practicable Date, we had a total of six beneficiation lines with an aggregate annual ore beneficiation volume of 0.58 Mt (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to complete in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended).

The following table sets forth certain information about our iron ore beneficiation lines for the two years ended 31 December 2012:

<b>Index</b>	<b>Unit</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
Ore processed	Kt	34.32	657
Iron ore products	Kt	10	178.8
Iron grade of concentrates	%	62.4	62

The following table summarises the ore beneficiation capacity, actual ore beneficiation volume and utilisation rates during the two years ended 31 December 2012:

	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
Number of operating beneficiation facilities	2	5 <i>(Note 1)</i>
Approximate ore beneficiation capacity (Mt) <i>(Note 2)</i>	0.05	0.42
Actual ore beneficiation volume (Mt)	0.01	0.27
Approximate utilisation rate (%) <i>(Note 3)</i>	20.0	64.3

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*Notes:*

1. Among the six beneficiation lines which are owned and operated by us as at the Latest Practicable Date, one of them was installed in the fourth quarter of 2012 and commenced operation in the first quarter of 2013.
2. Ore beneficiation capacity figures represent the beneficiation capacity of iron ore which are estimates based on a number of factors including equipment capacity and equipment operating hours. Our ore beneficiation capacity for a given period is calculated starting from the date on which the beneficiation line commenced operation until the end of the given period. The ore beneficiation capacity is derived on the basis that the beneficiation machines of the production lines would operate 16 hours a day throughout a year, except that the number of days on which the beneficiation lines operate is reduced by 70% in January and February due to rainy seasons.
3. The utilisation rate is calculated based on the total actual volume of ore processed by our beneficiation facilities for a given period over the ore beneficiation capacity of iron ore for such period.
4. Historically, the approximate utilisation rates of our beneficiation line during the rainy season of January and February 2012 for Project Ibam was 67.2% and 61.58%, respectively.

### Cash operating costs

The following table sets forth the estimated average cash operating costs per tonne of Project Ibam for the periods indicated:

Items	2011 actuals		2012 actuals		2013 expected		2014 expected		2015 onward expected	
	RM	US\$	RM	US\$	RM	US\$	RM	US\$	RM	US\$
<b>Production</b>	100,510 t		178,770 t		1,204,000 t		2,496,000 t		3,180,000 t (2015)	
Contract mining	36	\$11.61	36	\$11.61	25	\$ 8.06	25	\$ 8.06	25	\$ 8.06
Landholder royalty	40	\$12.90	40	\$12.90	40	\$12.90	40	\$12.90	40	\$12.90
<b>Mining cost</b>	76	\$24.52	76	\$24.52	65	\$20.96	65	\$20.96	65	\$20.96
Contract crushing	19.6	\$ 6.32	19.6	\$ 6.32	14.3	\$ 4.61	14.3	\$ 4.61	14.3	\$ 4.61
Workforce Employment	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97
Consumables	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94
Fuel, Electricity and Water	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81
Contingency, rehab	—	—	2	\$ 0.65	2	\$ 0.65	2	\$ 0.65	2	\$ 0.65
<b>Total Processing Cost</b>	46.6	\$15.03	48.6	\$15.68	43.3	\$13.98	43.3	\$13.98	43.3	\$13.98
On and Off-site Management	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39
Transport to port, port costs and marketing	40.8	\$13.16	40.8	\$13.16	30.9	\$ 9.97	30.9	\$ 9.97	30.9	\$ 9.97
<b>Total Cash Cost</b>	164.6	\$53.10	166.6	\$53.74	140.4	\$45.30	140.4	\$45.30	140.4	\$45.30
Depreciation	4.2	\$ 1.36	3.9	\$ 1.25	3.9	\$ 1.25	3.9	\$ 1.25	3.9	\$ 1.25
Pre Tax Operating Cost	168.8	\$54.46	170.5	\$54.99	144.3	\$46.55	144.3	\$46.55	144.3	\$46.55
Indicative shipping costs to Chinese port	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00
<b>Forecast pre-tax Operating Cost, inclusive of shipping</b>	215.3	\$69.46	217	\$69.99	190.8	\$61.55	190.8	\$61.55	190.8	\$61.55

Source: Independent Technical Report

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*Notes and assumptions:*

1. Conversion rate used RM3.1 = US\$1.
2. 2013 predicted production assumes successful commissioning of additional production capacity now being installed; 2013 production may be higher if additional capacity comes on stream.
3. Planned production for 2014 is 2,496,000 tonnes and for 2015 is 3,180,000 tonnes.
4. Depreciation is calculated based on planned production, and include depletion charges. Depreciation dropped from 2011 to 2012 due to increased production from existing equipment. Depreciation is forecast to remain at similar levels to 2012 as increased production is balanced by increased equipment.
5. Forecasts are based on forecasts of the Company, using existing average costs plus Geos Mining estimates for contingency, rehabilitation allowance and shipping costs.
6. Mining and crushing costs are forecast to decrease as contract costs are reduced by the Company supplying machinery to the Mining Contractor.
7. The transport costs to the port are forecast to decrease as contract costs are reduced by the Company supplying trucks to the Transportation Contractors.
8. According to shipping terms in the sales contracts entered into between us and our customers during the Track Record Period, we generally sell iron ore products on CFR basis and we generally recoup the transportation cost by adding the costs to our sales prices.
9. The planned production volumes in 2013, 2014 and 2015 onwards include the beneficiation volume to be contributed by the two beneficiation lines for which are in the course of being relocated from the Esperance Mine to the Ibam Mine.

According to the Independent Technical Report, our average cash operating costs was approximately USD53.74 per tonne of iron ore products (excluding shipping costs) in 2012, ranking us as an efficient iron ore product producer in terms of cash operating costs, when compared with our competitors in China. Since the shipping costs from Kuantan Port to further destinations are in general recouped from our customers, the item has been excluded from our average cash operating costs of USD53.74. Notwithstanding the above, according to the Independent Technical Report, our average cash operating costs were USD69.49 and USD69.99 per tonne in 2011 and 2012, respectively, after having taken into account the Mining Fee and the shipping costs. It is expected that our average cash operating cost (excluding shipping cost) will further decrease to approximately USD45.3 in 2013 due to the expansion of production scale. According to the Antaike Report, the industry cash operating cost for iron ore concentrates produced in China ranges from RMB550 to RMB650 (equivalent to USD87.3 to USD103.2) per tonne (including shipping costs) in 2011, which is much higher than our average cash operating costs with or without shipping costs. Our low average cash operating costs are primarily due to the simple geological conditions and characteristics of our reserves. We operate via the low-cost open-pit mining method. According to the Antaike Report, the iron content of iron ore in some Chinese mines is low that it needs to be processed prior to be sent to the beneficiation plant. However, the ore at the Ibam Mine generally has high iron ore content and low level of impurities, such as sulphur, phosphorus and silicon, which lowers the cost of beneficiation. As a result, we are able to produce high quality iron ore products through simple and low-cost magnetic processing methods.



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### Use of contractors

In line with the industry practice, we engage contractors for mining and transportation. Our Directors believe that the sub-contracting arrangements will lower our overall operational costs while maintaining our profitability and operational flexibility. We can avoid incurring substantial expenditure to acquire and maintain mining and transportation facilities or to maintain an in-house team of mining professionals with the requisite licences or permits to undertake the mining operation. The following table summarises the role of each of our contractors:

Type of contractor	Role of contractor
Mining Contractor	To extract iron ore at the Ibam Mine
Processing contractors	To handle simple crushing and beneficiation works
Transportation Contractor I	To transport our iron ore products from the Ibam Mine to the Kuantan Warehouse
Transportation Contractor II	To load the iron ore products at the Kuantan Port

During the Track Record Period, we engaged the Mining Contractor to perform mining works for us and our Transportation Contractors to handle the logistic arrangement for all of our iron ore products. Before commercial operations of our crushing and beneficiation lines, we engaged processing contractors to carry out crushing and beneficiation works. We gradually decrease our reliance on processing contractors upon the commercial operations of our own crushing lines and beneficiation lines.

The following table sets out information about service fees to our contractors incurred during the Track Record Period:

Type of contractor	For the period from the Incorporation Date of 23 August 2010 to 31 December 2010 <i>(USD million)</i>	For the year ended 31 December 2011 <i>(USD million)</i>	For the year ended 31 December 2012 <i>(USD million)</i>
Mining Contractor	—	0.2	0.5
Processing contractors	—	5.5	6.5
Transportation Contractor I <i>(Note)</i>	0.1	0.1	1.0
Transportation Contractor II	—	0.8	1.0

*Note:* The service fee paid to the Transportation Contractor I for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 was incurred in respect of the preparatory work prior to operation of the Ibam Mine.

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We obtain quotes from third parties and make a selection of our contractors based on, among other factors, price, skill and experience. Our Mining Contractor, processing contractors and Transportation Contractors are supervised by our designated staff members.

The following table sets out information about our key contractors:

No.	Contractor	Date of establishment	Type of corporation	Date of commencement of contracting relationship with us
1.	Goh KK Enterprise	4 February 2010 (re-registered on 29 October 2012)	sole proprietorship	December 2010
2.	Juta Berseri Sdn. Bhd.	25 January 1995	private limited company	November 2010
3.	Xing Her International Sdn. Bhd.	24 March 2011	private limited company	April 2011

Because we rely on the services of our contractors, a stable relationship with them and their satisfactory performance are crucial to our business. In selecting third-party contractors, we require third-party contractors to have relevant permits and licences to carry out their respective field of works. We believe the performance of our contractors has been satisfactory and we did not have any disputes with them during the Track Record Period that would have resulted in a material adverse effect on our business, financial condition or results of operations. In addition, our Directors confirm that historically our operations have not been suspended or delayed by any improper act of our contractors during the Track Record Period. There are other mining contractors, processing contractors and transportation contractors readily available in the region that can provide similar services. In the event that our Mining Contractor, processing contractors and/or Transportation Contractors could not perform satisfactorily, we will resort to other contractors whom we have preliminary selected as substitutes. Please refer to “Risk Factors — Risks Relating to Our Business and Operation — We rely on contractors for mining and transportation” of this prospectus for risks associated with the engagement of contractors.

### *Mining contractors*

To focus our resources on ore beneficiation and quality control operations which differentiate us from local iron ore suppliers in Malaysia, we subcontract our mining works to professional mining contractor during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, we engaged the Mining Contractor at our Ibam Mine. We entered into the written Mining Sub-contract with the Mining Contractor to manage and carry out the mining works and reclamation/rehabilitation works at the Ibam Mine. As advised by Ben & Partners upon enquiries made with Office of Director of Lands and Mines Pahang, our Group is allowed to outsource rehabilitation works to a third party. The Mining Sub-contract is deemed to be effective as

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from 18 December 2010 and continues to be effective until the expiry of the Mining Lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the Mining Sub-contract. The Mining Sub-contract provides that the Mining Contractor shall provide a minimum of 100 Kt of clean iron ores of the quality acceptable to us per month and shall crush the iron ore to a specified size before delivery to us. Upon completion of the mining works, the Mining Contractor is also responsible for the reclamation/rehabilitation works at the Ibam Mine as its own costs.

As at the Latest Practicable Date, the Mining Contractor is responsible for all ore extraction operations at our Ibam Mine. The service fee for our Mining Contractor is calculated based on the (i) volume of iron ore extracted multiplied by a fixed rate of RM36 (equivalent to USD11.33) per tonne; and (ii) volume of crushing works multiplied by a fixed rate of RM14 (equivalent to USD4.41) per tonne. In the event that we provide the Mining Contractor with the necessary machineries or equipment for its works, the fixed rate of payment shall be reduced to RM25 (equivalent to USD7.87) per tonne of iron ore extracted and RM10.2 (equivalent to USD3.21) per tonne of crushing works. The service fee shall be calculated on the last calendar day of every month and the payment shall be made by us before the 5th calendar day of next month. Such fees are determined through an arm's length negotiation taking into account, among others, factors including operating costs of our Mining Contractor, market rate of fees charged by other mining contractors, costs to be incurred for the reclamation/rehabilitation works at the Ibam Mine upon completion of the mining works and geological structure of the ore.

During the Track Record Period and as at the Latest Practicable Date, our Mining Contractor was responsible for mining works and reclamation/rehabilitation works at the Ibam Mine. Pursuant to the Mining Sub-contract, the Mining Contractor shall conduct its works in accordance with applicable laws, rules and regulations and in conformity with all our reasonable directions and requirements and with due care and diligence. The Mining Contractor shall provide all equipment, machineries, workers, including supervision thereof, and materials necessary for the mining works and reclamation/rehabilitation works. The Mining Contractor may engage other sub-contractors for the works and shall undertake that the sub-contractors engaged shall duly discharge their obligations in the manner set out in the Mining Sub-contract, failing which the Mining Contractor shall be liable to us for any non-performance or omission by its sub-contractors.

Summarised below are the rights and obligations of the Mining Contractor pursuant to the Mining Sub-contract. The Mining Contractor shall:

- be responsible at its own costs and expenses to apply and obtain all approvals, consents, permits and licences in relation to the mining works and reclamation/rehabilitation works at the Ibam Mine;
- mine the Ibam Mine according to all rules, regulations, enactments and laws for the time being in-force and in accordance with acceptable mining standard up to our satisfaction and shall crush the iron ore up to a specified size as directed by us, wash, screen and sieve the iron ore in accordance with our instructions before delivery to us;

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- organize and supervise the iron ore mining team and mining facilities or equipment at its own costs and expenses;
- start or commence the mining works as soon as possible after being instructed by us;
- be responsible for constructing and maintaining the haulage road and the mining road including providing and coordinating all the transports to transit the iron ore within the Ibam Mine;
- indemnify and save us and/or our affiliated companies harmless against and from any breach or non-observance and non-performance by the Mining Contractor, its sub-contractors, its servants, staff, authorised persons or agents of the provisions of Mining Sub-contract and any act or omission by the Mining Contractor, its servants, staff, authorised persons or agents which involve us and/or our affiliated companies in any liability to any third parties in relation to the mining works and reclamation/rehabilitation works; and
- upon completion of the mining works, be responsible for organising staff and equipment to undertake the reclamation/rehabilitation works at its own costs at the Ibam Mine in accordance with our requirement and to our satisfaction and those of the relevant authorities.

In addition, under its contract with us, the Mining Contractor shall indemnify us on a full indemnity basis against all liabilities to other persons for bodily injury, damage to property or any other loss which may arise out of or in consequence of the execution and completion of the mining works and the reclamation/rehabilitation works against all costs, charges and expenses that may be occasioned to us by the claims of such persons and any other authority. The Mining Contractor is also responsible for effecting such insurance against such risks as is necessary and in the industry norm on such terms and for the benefit of such persons as is necessary.

We are responsible for providing materials for the construction of wash boxes and screeners as well as providing technical data and supervising the reclamation, rehabilitation process and relevant quality control upon completion of the mining works. We also undertake quality control to determine the grade of our ore mined and extracted by the Mining Contractor. Our employees supervise the mining and stripping operations undertaken by our Mining Contractor. In the event that the iron ore production volume of our Mining Contractor does not meet our stipulated targets, the Mining Contractor shall compensate us the shortfall based on the local market value of iron ore per tonne in Kuantan. In respect of termination, we are entitled to terminate the Mining Sub-contract by providing a three-month written notice.

Our Mining Contractor must follow our monthly production plan as stipulated in the Mining Sub-contract. The separation process during which blasted ore is separated from waste material is supervised by our staff members. The iron ore is sorted by grade and then transported to our processing lines for processing. Meanwhile, waste material is stored at a waste disposal facility located at the mine. Our Mining Contractor owns part of the mining equipment and facilities at the Ibam Mine and we provide part of them.

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According to our internal control guidelines, all workers shall immediately report to our mine managers, namely Mr. Diao Dalin and Mr. Wang Zeping and adopt safety rescue measures when accidents or injuries happen in the course of operation. A meeting shall be held to analyse and review reasons for industrial accidents taken place in the mining sites, and we shall adopt and implement any necessary precautions in order to avoid recurrence of similar accident in the future. We also supervise the work safety at the Ibam Mine by adopting safety policy for the Mining Contractor and our employees to follow. For example, our occupational health and safety officer conducts regular inspection on workers to ensure they have properly put on protective clothing such as helmets and safety shoes. Regular meetings are also held with the Mining Contractor for the purpose of work safety and accident prevention.

As at the Latest Practicable Date, we had not encountered any incidents of employing illegal workers in the Ibam Mine either by us nor by the Mining Contractors. Notwithstanding the above, we have internal control procedures in place to prevent the Mining Contractor from engaging illegal workers for works undertaken at the Ibam Mine, including (i) the imposition of a contractual obligation on the Mining Contractor through the Mining Sub-contract to conduct its works in accordance with applicable laws, rules and regulations and to indemnify us against, among others, any breach by the Mining Contractor and any act by the Mining Contractor which involve us in any liability to any third parties in relation to the mining and reclamation works undertaken by it; (ii) the checking by our designated officers over any employment of illegal workers at the Ibam Mine by irregular inspection of the list of workers and documentary proof of compliance; and (iii) our compliance officers who were appointed in October 2012, namely Mr. Wang Er and Mr. Diao Dalin, reporting to our Board directly on a monthly basis to ensure that our operations are in compliance with applicable laws, rules and regulations.

By adopting the above measures, we believe that we are able to monitor the performance of the Mining Contractor and ensure that it complies with our Group's policies and the relevant Malaysian laws and regulations.

As advised by Ben & Partners, the Mining Sub-contract is legally valid, subsisting, binding and enforceable between the Mining Contractor and us.

It is our policy to adopt similar terms and conditions for sub-contracts with other mining contractors, if any.

### *Processing contractors*

Before commercial operations of our crushing and beneficiation lines, we engaged processing contractors to carry out crushing and beneficiation works. We did not enter into any long-term written contracts with these processing contractors. We will place less reliance on these processing contractors going forward as we will rely on our own crushing lines and beneficiation lines for crushing and beneficiation works. The service fees for these processing contractors were calculated based on the volume of iron ore products supplied multiplied by a fixed rate per tonne. Such fees were determined through an arm's length negotiation taking into account, among others, factors including operating costs of these processing contractors, party providing the necessary machinery of equipment, market rate of fees charged by other processing contractors and geological structure of the ore.

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According to our internal control guidelines, all workers shall immediately report to their supervisors of any instances of accidents, fatalities or injuries in the course of operation and record the accident particulars in writing or by photograph. Where appropriate, the management of the Group shall be notified of the accidents and investigation shall be conducted.

### *Transportation Contractors*

As at the Latest Practicable Date, we subcontracted the relevant logistic arrangements to two Transportation Contractors. We rely on (i) Transportation Contractor I to transport our iron ore products from the Ibam Mine to the Kuantan Warehouse; and (ii) Transportation Contractor II to load the iron ore products at the Kuantan Port. Save for a long-term written contract with Transportation Contractor I, we have not signed any long-term written contracts with our Transportation Contractor II. Our Directors are of the view that the main obligation to be performed by Transportation Contractor I, namely to transport our iron ore products from the Ibam Mine to the Kuantan Warehouse, is of a higher importance than that performed by Transportation Contractor II, which is to load the iron ore products at the Kuantan Port from our Kuantan Warehouse. Our Directors are also of the view that there are sufficient alternative transportation contractors even if Transportation Contractor II opts not to provide its service in future. Therefore, our Directors are of the view that it is not necessary to enter into a long-term contract with Transportation Contractor II. Further, given that there are other transportation contractors readily available in the region that provide similar logistic services currently provided by the Transportation Contractors, the Directors are of the view that any change in transportation contractors poses a minimal impact to the Group's operation.

We entered into a three-year long-term contract with Transportation Contractor I on 13 September 2012 with a view to maintaining long-term relationship with it. Pursuant to such three-year long-term contract, the Transportation Contractor I shall be responsible for transporting our iron ore products from the Ibam Mine to the Kuantan Warehouse at a fixed rate of RM24 (equivalent to USD7.55) per tonne. The Transportation Contractor I shall be responsible for applying and obtaining all approvals, consents, permits and licences in relation to the provision of transportation service and such service shall be provided in a manner complying with all laws and regulations in Malaysia. The Transportation Contractor I shall bear the consequences arising from any traffic accident taking place in the course of transportation and shall compensate us for any losses and damage arising from its failure to deliver the iron ore products on schedule. The service fee shall be calculated by the end of each month and payment shall be made by us before the end of next month. In the event that the performance of the Transportation Contractor I is unsatisfactory or mutual agreement could not be reached on the amendment of the terms of the long-term contract, we are entitled to terminate the long-term contract by a one-month written notice. Notwithstanding the aforesaid, we are entitled to unilateral termination of the long-term contract by a one-month written notice without reason. When entering into the three-year long-term contract with Transportation Contractor I, our Directors had taken into account various factors, including but not limited to the service fee, the quality of service, the capacity to provide logistic services, the business relationship between our Group and Transportation Contractor I prior to the entering of the said contract and its reputation in the industry.

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In addition, the service fee for Transportation Contractor II is calculated based on the volume of the iron ore products loaded, multiplied by a fixed rate per tonne, respectively. Such fees are determined through an arm's length negotiation taking into account, among others, factors including operating costs of the Transportation Contractor II and market rate of fees charged by other transportation contractors.

According to our internal control guidelines, all workers shall immediately report to their supervisors of any instances of accidents, fatalities or injuries in the course of operation and record the accident particulars in writing or by photograph. Where appropriate, the management of the Group shall be notified of the accidents and investigation shall be conducted.

We usually settle the fees of our Transportation Contractors within 45 days. We recoup the costs associated with the transport of products for our customers by adding these costs to our contracted sales price.

As advised by Ben & Partners, the contractual arrangement between us and each of the Transportation Contractors are legal, valid and subsisting between the respective Transportation Contractors and us.

### EXPANSION PLAN AND CAPITAL EXPENDITURE

To capitalise on the strong demand for iron ore products in the PRC, we plan to expand our (i) ore resources; (ii) iron ore mining capacity; and (iii) iron ore product production capacity.

As at the Latest Practicable Date, we owned and operated six iron ore beneficiation lines with an annual production volume of 0.58 Mt of iron ore concentrates in total (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013. During the relocation period the production of the two beneficiation lines shall be suspended) and we owned and operated two iron ore crushing lines with an annual production volume of 0.81 Mt of iron ore in total. Pacific Mining has been granted a contractual right vide the Mining Agreement by the lessee of the Mining Lease to install these lines, their relevant accompanying structures and fixtures and to enter, use and occupy the relevant portion of land for daily operation and maintenance of the lines. We currently have two open-pit mining orebodies and are in exploration for a new orebody at the Ibam Mine. Our production expansion plan is to expand our annual mining, crushing and beneficiation volume to reach 13.22 Mt, 4.45 Mt and 3.18 Mt, respectively, by the end of 2015. We intend to expand our production capacity by (i) upgrading and constructing new iron ore beneficiation and crushing lines at the Ibam Mine; (ii) expanding our mining activity at the Ibam Mine; and (iii) acquiring new mines and related production facilities. We intend to fund our expansion plan with the revenue generated from our operations as well as the proceeds of the Global Offering.

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The timeline below highlights the development phases for our expansion plan:

Year	2013				2014				2015			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Project Ibam</b>	Phase One			Phase Two			Phase Three					

### Project Ibam

As at the Latest Practicable Date, the annual mining, crushing and beneficiation volume of Project Ibam was 2.40 Mt, 0.81 Mt and 0.58 Mt, respectively. In order to further expand the mining and beneficiation volume of Project Ibam, we plan to invest USD26.0 million, USD20.8 million and USD15.6 million as capital expenditure during each of the three phases of the expansion plan, amounting to USD62.4 million in total.

The timeline below highlights our development plan on Project Ibam and such expansion plan is subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation:

Development phase	Time schedule	Estimated new monthly mining volume by the end of the development phase (Kt)	Number of crushing lines by the end of the development phase	Estimated new monthly crushing volume by the end of the development phase (Kt)	Number of beneficiation lines by the end of the development phase	Estimated new monthly beneficiation volume by the end of the development phase (Kt)	Capital expenditure (USD million)
Phase One (Note 1)	first quarter of 2013-July 2013	665	7	224	11 (Note 2)	160	26.0
Phase Two (Note 1)	November 2013-March 2014	998	11	336	15	240	20.8
Phase Three (Note 1)	September 2014-January 2015	1,247	14	420	18	300	15.6

*Notes:*

- (1) The Directors confirm that the beneficiation lines installed under these phases can process a greater volume of iron ore products than those previously installed by us.
- (2) Two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013. During the relocation period, the production of the two beneficiation lines shall be suspended.



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As at the Latest Practicable Date, we were carrying out phase one of the expansion plan for Project Ibam. Our expansion plans to achieve the improvement in mining, crushing and beneficiation volume for Project Ibam are set forth below:

- |             |   |
|-------------|---|
| Phase One   | <ul style="list-style-type: none"><li>• Install five additional beneficiation lines and five additional crushing lines, one of the beneficiation lines and crushing lines are expected to commence operation in late June 2013 and all of the other lines are expected to commence operation in or about July 2013. In addition, two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013. During the relocation period, the production of the two beneficiation lines shall be suspended</li></ul> |
| Phase Two   | <ul style="list-style-type: none"><li>• Install four additional beneficiation lines and four additional crushing line, all of which are expected to commence operation in or about March 2014</li></ul>   |
| Phase Three | <ul style="list-style-type: none"><li>• Install three additional beneficiation lines and three additional crushing line, all of which are expected to commence operation in or about January 2015</li></ul>   |

We expect that by the end of 2015, the annual mining volume for Project Ibam will reach 13.22 Mt. As at the Latest Practicable Date, we engaged one Mining Contractor for Project Ibam. Where necessary, we will engage additional mining contractor to cope with the expansion in our mining capacity. Mining contractors are readily available in the region and we have preliminarily selected other mining contractors for our operation. By the end of 2015, there will be a total of 18 beneficiation lines in operation with a total annual beneficiation volume of 3.18 Mt and a total of 14 crushing lines with a total annual crushing volume of 4.45 Mt for Project Ibam.

### **Risks associated with the operation of the Ibam Mine**

The mining industry inherently has a high level of risk, which is accumulated due to factors such as the nature of ore body, ore distribution, grade and variations in mining and ore processing which are not able to be accurately predicted or accounted for. Summarised below is a list of potential risks with their respective risk levels which we may face concerning the operation of the Ibam Mine, the recommendations given by the Independent Technical Advisor of which our Directors confirmed that some of the measures shall be implemented shortly and the status of implementation of various recommendations by us. We have engaged a professional consultant, Geos Mining, in February 2013 to conduct a preliminary geotechnical report in response to certain recommendations as set forth in the table below and to review the effectiveness of the proposed measures set forth below after the implementation. Based on the aforesaid measures to be implemented, the Independent Technical Advisor's recommendations and having made reasonable enquiries, including (i) on the risk levels of the potential risks; and (ii) the potential consequences of such risks on the operation and development of our Group's business, the Sole Sponsor has no reasonable doubts on the adequacy and effectiveness of our remedial actions. For a more detailed analysis of these risks, please refer to the paragraph headed "Project development risk" in the section headed "Appendix IV — Independent Technical Report" in this prospectus.

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Factor	Potential risk	Control recommendation	Status of implementation
Sampling procedures not optimised	<ul style="list-style-type: none"> <li>• Sampling errors may lead to poor data correlation (Low risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain strict protocol for sampling and laboratory sample preparation</li> </ul>	<ul style="list-style-type: none"> <li>• We have established more stringent internal policies for sampling and laboratory sample preparation</li> </ul>
	<ul style="list-style-type: none"> <li>• Unreliable resource estimates (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor sampling methods/update resource model</li> </ul>	<ul style="list-style-type: none"> <li>• We have complied with our more stringent internal policies for sampling methods</li> </ul>
Assay methods not optimised	<ul style="list-style-type: none"> <li>• Inaccurate grade estimates (Low risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Risk reduced by current mining</li> </ul>	<ul style="list-style-type: none"> <li>• We shall adjust our assay methods from time to time in accordance with our customers' specification for iron grade when purchase orders are placed and actual iron ore grades of products mined from our mine sites and as at the Latest Practicable Date, we have not received any complaints from our customers</li> </ul>
No database	<ul style="list-style-type: none"> <li>• Loss of data leading to lack of verification of resource (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Establish coherent validated database with back-up systems</li> </ul>	<ul style="list-style-type: none"> <li>• We have maintained more detailed record and database for laboratory analysis</li> </ul>
Resource modelling	<ul style="list-style-type: none"> <li>• Grade or tonnes not as modelled (Low risk)</li> <li>• Mine planning inhibited (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Further infill ore definition drilling to further define the ore at depth; reconciliation on current mining</li> </ul>	<ul style="list-style-type: none"> <li>• Measures have not been implemented and we anticipate to set up further exploration drilling and infill lines of drilling in March 2014</li> </ul>

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Factor	Potential risk	Control recommendation	Status of implementation
Limited detailed structural mapping	<ul style="list-style-type: none"> <li>• Poor understanding of geological controls (Medium risk)</li> <li>• Missed opportunities for high grade mineralisation (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure structural mapping of surface and benches/berms at all stages</li> </ul>	<ul style="list-style-type: none"> <li>• Measures have not been implemented and Geos Mining will conduct a preliminary geotechnical report in July 2013</li> </ul>
Geotechnical instability slope failure	<ul style="list-style-type: none"> <li>• Reduced or lost production (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Geotechnical stability rock characteristic study combined with structural mapping</li> </ul>	<ul style="list-style-type: none"> <li>• Measures have not been implemented and Geos Mining will conduct a preliminary geotechnical report in July 2013</li> </ul>
Limited ground holding	<ul style="list-style-type: none"> <li>• Missed opportunities, mineralisation continuance (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional concessions to north and south would be beneficial</li> </ul>	<ul style="list-style-type: none"> <li>• Measures have not been implemented as the mine life of the Ibam Mine is expected to be longer than 27 years and we may expand our mineral reserves by acquiring additional mining assets. As at the Latest Practicable Date, we had not identified any acquisition targets</li> </ul>
Water Inflow — pit flood	<ul style="list-style-type: none"> <li>• Reduced or lost production (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Implement water flow diversion control as in mine feasibility plan, with continued monitoring and proper pump maintenance programs</li> </ul>	<ul style="list-style-type: none"> <li>• We shall formulate our mine feasibility plan and shall engage our Mining Contractor to implement measures according to the feasibility plan, which is expected to take place in July 2013</li> </ul>

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Factor	Potential risk	Control recommendation	Status of implementation
Increase in impurities	<ul style="list-style-type: none"> <li>Loss of grade/value, hard to market product (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>Increase analyses, improve sampling procedure and ore model, adapt beneficiation</li> </ul>	<ul style="list-style-type: none"> <li>We have established more stringent internal policies for sampling procedures and made adjustments according to our actual production process</li> </ul>
Increase in interburden/gangue	<ul style="list-style-type: none"> <li>Loss of grade/value (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade or re-evaluate sampling procedure and ore model</li> </ul>	<ul style="list-style-type: none"> <li>We have established more stringent internal policies for sampling procedures and made adjustments according to our actual production process</li> </ul>
High degree of fines in trial beneficiation	<ul style="list-style-type: none"> <li>Loss of saleable product/increased costs to pelletize product (low risk)</li> </ul>	<ul style="list-style-type: none"> <li>Risk reduced by current production and product acceptance by customers</li> </ul>	<ul style="list-style-type: none"> <li>Our current products are produced with reference to the acceptance by our customers and we shall monitor their preferences from time to time</li> </ul>
<b>Other potential risks</b>			
Lack of facilities at site	<ul style="list-style-type: none"> <li>No incentives to perform well (Low risk)</li> </ul>	<ul style="list-style-type: none"> <li>Construct/upgrade facilities and equip as planned</li> </ul>	<ul style="list-style-type: none"> <li>Our expansion plan has been mapped out and there will be a total of 18 beneficiation lines and 14 crushing lines for Project Ibam by the end of 2015</li> </ul>

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Factor	Potential risk	Control recommendation	Status of implementation
Occupational health and safety procedures not to standard	<ul style="list-style-type: none"> <li>• Greater potential for injury/death (High risk)</li> <li>• Loss of productivity (Medium risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Implement site hazard audit &amp; monitoring programme, identify major hazards, implement risk controls</li> </ul>	<ul style="list-style-type: none"> <li>• We have adopted the relevant internal controls policy and procedures for handling occupational health and safety matters, please refer to the sub-section headed “Occupational Health and Safety” of this section below</li> </ul>
Wildlife Encounters	<ul style="list-style-type: none"> <li>• Potential for injury/death (High risk)</li> </ul>	<ul style="list-style-type: none"> <li>• Clear and fence areas around mine, train staff</li> </ul>	<ul style="list-style-type: none"> <li>• We have conducted regular safety training for our employees for work safety and accident prevention</li> </ul>

*Source: Independent Technical Report*

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### Recommendations from the Independent Technical Advisor

The Independent Technical Advisor has made the following recommendations in relation to the operation of the Ibam Mine and our commitments to implement these recommendations are set forth below. We have engaged a professional consultant, Geos Mining, in February 2013 to review the effectiveness of the proposed measures after the implementation.

<b>No.</b>	<b>Recommendations</b>	<b>Our commitments</b>
1.	<p>Further exploration drilling is recommended to define the eastern limits of the ore bodies and to define any further resources at depth. Infill lines of drilling are recommended to assist in further defining the grade and variations within the resource. Both of these activities will further define the geology and aid in enhancing effective efficiency of the mining operations. Several of these holes should be fully cored and several designed to test for deeper mineralisation (down dip extensions). All mineralised sections and several un-mineralised metres either side of the ore bodies should be sampled, samples split and analysed. The unassayed core sample splits and un-split core should be retained on site or at warehouse to allow for independent review.</p> <p>The variability of the mineralisation should also be tested to assist in plant and tailings dam design for the mine expansion.</p>	<p>We intend to carry out this exploration drilling and infill drilling by phases. We plan to allocate USD0.1 million per annum over the next three years starting from March 2014 in exploration drilling and infill drilling.</p>
2.	<p>Given the high rainfall and friable nature of the host to mineralisation, geotechnical design of pit walls is likely to be critical to avoid slope failure. Continued geotechnical investigation and monitoring and review upon completion of any further resource drilling are recommended. Several fully cored holes will be required for geotechnical analysis and slope stability calculations.</p>	<p>Geos Mining will conduct a preliminary geotechnical report in July 2013, which is estimated at cost of USD53,000, and follow up review for the next two years following 2013 and then every other year after 2015. The follow up reviews are estimated to cost USD42,000.</p>

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<b>No.</b>	<b>Recommendations</b>	<b>Our commitments</b>
3.	Current mine plans show the pit extending outside the concession, and grant of the current application for an additional concession, and any other permitting required, will need to be completed to permit extraction of all the reserves.	Mine planning is ongoing in order to optimize the operations. Geos Mining will conduct planning reviews every two years starting from July 2013 and the review cost is estimated at USD42,000.
4.	A regional review of surrounding magnetic anomalies should be completed to evaluate potential “satellite deposits” and extensions.	Geos Mining will conduct a regional review and acquisition of any extra tenure to cover good prospects in March 2016. The estimated cost is USD0.2 million for the two years in 2016 and 2017. Follow up exploration and development will also be conducted so that resources are developed as the reserves in the existing concession start to reduce. This is budgeted at up to USD0.5 million.
5.	From the mine feasibility study only limited further environmental and hydrological studies are considered required to determine any detrimental effects from mine runoff and tailings. Such environmental studies should be conducted to establish a baseline environmental audit of the planned mine, processing, waste stockpile and service routes. Further a monitoring program should be established to monitor the occurrence effects on the siltation of the surrounding waterways, impacts on wildlife and any degradation in flora and landform surfaces within the immediate mine operation areas.	We plan to allocate USD53,000 to conduct environmental and hydrological studies in February 2014.
6.	Careful consideration and planning will be required to protect both the wildlife and the workers from erroneous and incidental contact which may be detrimental to either or both.	Deforestation has reduced the wildlife in the area, we have conducted and will continue to provide suitable safety and environmental awareness training for our and/or our sub-contractor’s workers.

*Source: Independent Technical Report*

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### MARKETING AND SALES

During the Track Record Period, we generated a substantial portion of our revenue from sales of iron ore products for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, respectively. The following table sets forth our sales volumes on dry basis for, average selling prices of and revenue derived from sales of iron ore products for the periods indicated:

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>Year ended 31 December 2011</b>	<b>Year ended 31 December 2012</b>
<b>Iron ore products</b>			
Sales volume (tonne) (on dry basis) ( <i>Note</i> )	76,232	220,332	428,730
Average selling price (USD/dry tonne)	90.1	122.3	116.6
Revenue from sales of iron ore products (USD'000) ( <i>Note</i> )	6,865	26,954	49,986

*Note:* Iron ore products produced from our discontinued operation at the Besol Mine and Talam Mine were excluded from the sales volume on dry basis and revenue from sales of iron ore products.

We negotiate with our customers on iron ore product price with reference to the Platts Index and product prices index on Mysteel.com which are on dry basis. Our iron ore products are weighted and recorded internally on wet basis. The settlement among our customers and us are based on sales volume on dry basis, which makes reference to the volume on dry basis in inspection and/or custom clearance records in Malaysia and/or China. The average selling price on dry basis is set out above for reference. Unless otherwise specified, all references to volumes of iron ore or iron ore products in this prospectus refer to volume on wet basis.

Capture Advance produced and sold the first batch of 18 Kt iron ore products from the Besol Mine to PRC customer in March 2010. As for the Ibam Mine, we produced and sold the first batch of 7.8 Kt of iron ore products in January 2011. Our sales and marketing strategy is focused primarily on the PRC steel manufacturers and/or their respective purchase agents. As at the Latest Practicable Date, we had six employees in our sales and marketing department responsible for processing customer orders, collecting marketing information and developing and maintaining customer relationships.

Starting from 2011, we derived our revenue primarily from both (i) trading; and (ii) sale of iron ore products produced under Project Ibam, Project Esperance and from the Besol Mine (the operation of which ceased and discontinued in March 2011). Upon the termination of the Cooperation Agreement on 10 April 2013, it is expected that no revenue will be contributed from Project Esperance to our Group. Please refer to the section headed “Financial Information — Turnover” of this prospectus for further analysis of our revenue breakdown.



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### CUSTOMERS

With our effort, we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC, including Ningbo Iron which has been our customer for approximately two and a half years as at the Latest Practicable Date. Ningbo Iron is a subsidiary of the Baosteel Group Corporation, one of the top Chinese steel producers according to the Antaike Report. Starting from the second half of 2012, we also sold iron ore products to customers in Malaysia.

We had 1, 6 and 9 customers for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, respectively. We generated 100.0%, 96.3% and 92.0% of our revenue, respectively, from our five largest customers for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012 while the revenue generated from our single largest customer accounted for 100.0%, 30.6% and 38.6% of our total revenue, respectively. As at the Latest Practicable Date, we have established a year and a half to three years of business relationships with our top five customers. In general, our trading customers are the same as our customers of iron ore products produced by us. Based on contractual arrangement, we usually do not offer credit period to our customers, including our trading customers. We normally accept settlement by way of irrevocable letter of credit or telegraphic transfer. We may sometimes request customers, including our trading customers, to pay deposit upon signing sales contracts with us.

We will seek to enter into strategic cooperation with other steel manufacturers and/or their respective purchase agents in China in the future to complement to our growth strategy as and when suitable opportunities arise.

All of the top five customers are Independent Third Parties, and to the best knowledge of our Directors, none of our Directors or their associates or our Shareholders holding more than 5% of our issued capital, had any interest in any of our five largest customers during the Track Record Period.

### CONTRACTS AND PRICING

#### *Purchase order in general*

We sell our iron ore products on a per tonne basis directly to our customers, including our trading customers. The sales of our products to our customers are made pursuant to individual sales contracts entered into with them. These individual sales contracts will generally specify the product specifications, quantities, price, payment and delivery terms. Generally, the prices of our iron ore products are made with reference to the Platts Index, which is one of the three major global iron ore indexes, and product prices index published on Mysteel.com, which is a recognised website for the iron and steel industry in China. We take into account factors, such as the prevailing market conditions, market expectation and relationship with customers, when deciding the price index to be used.

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### *Framework agreement*

We entered into a one-off framework sales agreement with one of our major customers, an Independent Third Party, on 8 September 2011 for a term of eight months, which has expired on 7 May 2012. Our commercial rationale for entering into the agreement is that at the date the agreement, we expected that our first two beneficiation lines would commence production in the fourth quarter of 2011 and the Directors considered that it is beneficial to the Group to secure a certain level of demand for our iron ore products produced by our beneficiation lines. Pursuant to the agreement, we agreed to sell 500 Kt of iron ore concentrates or iron ore fines, the impurities of which shall not be above normal level, within the eight months from the date of the agreement at the market price to be agreed by both parties and the amount shall not be less than 150 Kt per quarter. The agreement is a framework agreement which does not specify any price adjustment mechanism and it is expressly set out in the agreement that detailed terms on sales volume and price for each sale are to be provided under separate sales agreements to be agreed by the parties. If we are unable to supply sufficient amount of our products due to factors such as rainy season or market fluctuation, the amount fall short of shall be supplied in the next quarter. The term of sale as stipulated in the agreement provides that all risks of iron ore products are transferred to the customer at the time of loading of the iron ore products from the loading devices into the vessel and the revenue is recognized accordingly. In the event that we fail to satisfy the customer's demand and breach the terms of the framework agreement and the separate sales agreements, the customer is entitled to demand us to perform the framework agreement and compensate its losses and we shall bear all the responsibilities.

During the term of the framework agreement, we have sold 94 Kt of iron ore products to the customer and the amount of iron ore products sold per quarter was 35 Kt. The quantity of iron ore products sold by us pursuant to the framework agreement fell short of the quantity stipulated therein due to the following reasons: (i) we were in the course of installing the beneficiation lines in the second half of 2011, that is during the term of the framework agreement, and the beneficiation lines did not commence commercial production until the fourth quarter of 2011; (ii) our production was affected by rainy season; (iii) the market price of the iron ore products declined during our price negotiation with the customer for our subsequent sales, making it difficult to reach consensus on the selling price of iron ore products; and (iv) in contemplation of satisfying the customer's demand by both trading and self-production of iron ore products, we reached a consensus with the customer on the quantity of iron ore products at 150 Kt. Subsequent negotiation on the terms of each separate sale agreement of iron ore products revealed that the customer in general preferred iron ore products with a high iron grade of 63% or above, which could only be produced through our own beneficiation lines. Based on a written confirmation dated 7 December 2012, the customer confirmed that no claim should lie against us for any loss or damage sustained by it as a result of the shortfall. We have maintained the business relationship with the customer and continued to supply the shortfall under the framework agreement despite the absence of the framework agreement. For the period between the commencement date of the framework agreement and the Latest Practicable Date, we have sold approximately 207 Kt of iron ore products to the customer.

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### SETTLEMENT AND DELIVERY OF PRODUCTS

We generally sell iron ore products on CFR basis and we generally recoup the transportation costs by adding the costs to our sales prices. In some occasions, we also sell iron ore products on a FOB basis at Kuantan Port, in which case we are responsible for the delivery of our products to Kuantan Port and for the related costs while our customers will bear the transportation costs from Kuantan Port to further destinations. We take into account factors, such as the party responsible for the shipping arrangement, when deciding the basis upon which sales are made.

Payments for our sales are generally made by letters of credit in US dollars.

As for the term of sale with our customers, we are typically considered to have delivered our products when they pass the ship's rail in the port of shipment. The risk of loss of or damage to the products, as well as any additional costs incurred after the time of delivery, is transferred from us to our customers. Our customers bear all risks of transport after collection of our iron ore products.

During the Track Record Period, there were no returns of our products by our customers.

### SUPPLIERS

The auxiliary materials used in our production process include diesel fuel. Our mining and production activities require purchase or leasing of machinery and equipment, including but not limited to, diesel generators, excavators, tipper trucks, crushing and beneficiation facilities.

Our major suppliers include suppliers of iron ores, machinery and equipment, spare parts, diesel fuel, and other production-related materials. For the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, our five largest suppliers together accounted for 100.0%, 83.1% and 97.8% of our total purchases, respectively, while our purchases from our single largest supplier accounted for 100.0%, 39.8% and 43.2% of our total purchases, respectively. Our suppliers usually grant us a credit period of 3 to 6 months and we normally settle the payment within 60 days. The suppliers normally accept settlement by way of telegraphic transfer.

All of the top five suppliers are Independent Third Parties and are primarily based in Malaysia. As at the Latest Practicable Date, we have established approximately two to three years of business relationships with our top five suppliers. All of the top five suppliers are primarily engaged in mining, processing and sale of iron ores and none of our Directors, their respective associates or any Shareholders holding more than 5% of our issued capital, is related to or owns any interest in any of our five largest suppliers.

Most of our suppliers are primarily based in Malaysia. Save for the fixed-term contract with the diesel generator supplier which are subject to renewal, we have not signed any fixed or long-term contract with any of our suppliers. Further details of the terms of the fixed-term contract with the diesel generator supplier are set forth under the paragraph headed "Utilities" under this section of the prospectus. We maintain a good relationship with our suppliers and did not have any disputes with any of them during the Track Record Period.

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### UTILITIES

As at the Latest Practicable Date, our operations use electricity supplied by five on-site diesel generators, one of which is leased from an Independent Third Party and four of which are owned by us. We leased our diesel generators at a monthly rental, which is determined based on prevailing local market price, pursuant to the fixed-term contract for a term of one month between us and the diesel generator supplier which are subject to renewal. We are entitled to terminate the fixed-term contract by giving a one working day written notice to the diesel generator supplier and we are deemed to have agreed to continue with the contract until such a written notice is received by the diesel generator supplier. In the event that the contract is terminated before the expiration of the minimum rental period as stipulated therein, which in our case is one month, the diesel generator supplier reserves the right to claim for the full monthly payment in respect of the minimum rental period. Pursuant to the fixed-term contract, the monthly rental is fixed unless otherwise agreed. We are responsible for obtaining insurance coverage for workmen compensation, accident, fire and the equipment and are also responsible for all claims and demands arising from any abuse, mishandling, neglect, recklessness or deliberate act of omission of ourselves, our employees, agents or any other third party. The diesel generator supplier, on the other hand, is not responsible for any third party claims and demands arising out of any malfunction, defect, failure or breakdown to the diesel generators occasioned during the term of the contract. We are responsible for the daily maintenance and checking of the diesel generators while maintenance and replacement are borne by the diesel generator supplier. We shall pay the monthly rental one month in advance and upon expiration or termination of the fixed-term contract, we shall deliver the diesel generators in its original condition with fair wear and tear excepted.

Diesel is used as the fuel for generating electricity and we purchased diesel from a diesel supplier, an Independent Third Party. We sourced our diesel generators and diesel at the prevailing local market prices. In the event that the prevailing market price falls below the fixed price of diesel generator as stipulated in the fixed-term contract and/or we fail to reach an agreement on the price of diesel with the diesel supplier, there are a sufficient number of diesel generator suppliers and diesel suppliers in the region to adequately meet our needs and we have preliminarily selected other diesel suppliers and diesel generator suppliers for our operation. Our total costs for the leasing of diesel generators and diesel amounted to nil, USD0.6 million and USD1.9 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012, respectively, accounting for nil, 3.1% and 5.9% of our cost of sales. During the Track Record Period, we did not experience any power supply suspensions or shortages that resulted in a material interruption of our production operations.

Water is a key component of our iron ore concentrate production process. We use water sourced from local streams, natural runoff and pumping from a retention pond in the Ibam Mine area. As advised by Ben & Partners, according to the relevant Malaysia laws and regulations, a water permit is required for its holder to divert, make use of and discharge such water as is therein specified, in such places, by such means, in such manner, in such quantities and on such conditions as the relevant authority may think fit. A valid water permit with respect to the use of water from the river/stream at the Ibam Mine has been obtained.

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Malaysia is located in a tropical region and rainfall occurs throughout the year. Rainy season for the east coast of Malaysia extends from November in the current year to January in the next year. Pahang State has an annual average rainfall of 1,800 mm, with the highest rainfall of up to 2,500 mm in December. Rain water is collected and stored in the retention pond for use. In addition, we also recycle and reuse water from our tailings ponds. During the Track Record Period, we did not experience any water supply interruption or shortage that resulted in a material interruption of our operations.

Our Directors are of the view that (i) the transport infrastructure near the Ibam Mine area currently in use was designed to accommodate trucks with a maximum capacity of 80 tonnes which is adequate to cope with our expansion plan onwards; (ii) water from local streams, natural runoff and pumping from a retention pond in the Ibam Mine area, and water generated from the recycling at our tailings ponds is sufficient to accommodate our expansion plan onwards; and (iii) in order to satisfy our growing demand for electricity, we are currently at the negotiation stage with the relevant local authority in relation to the construction of a dedicated power line linking local power grids to the mine and the construction is expected to be completed by the end of 2014. As such, the Directors are of the view that the Group's transportation infrastructure, supply of water and electricity will be sufficient to support the Group's expansion plan.

### COMPETITION

We focus to supply our iron ore products to steelmakers located at the coastal regions of China. According to the WSA, China has been the largest steel producing country in the world and accounted for 54% of the global steel production in 2011.

As estimated in the Antaika Report, 98% of the global supply of iron ore is used in steelmaking. Therefore, supported by the sustainable growth of steel market of China, the consumption of iron ore by China have increased substantially during the past decade at a CAGR of 18% between 2001 to 2011, and China becomes the world's largest iron ore consuming country which accounted for 53% of the global iron ore demand in 2011, according to UNCTAD.

Although the domestic production of crude iron ore continuously climbed record highs, the domestic supply of crude iron ore cannot satisfy the needs of China's steelmakers because (i) the growth rate of China's aggregate iron ore demand outpaces the growth rate of domestic supply; and (ii) the average iron content of Chinese crude iron ore has been declining in recent years with a national average of iron content at merely 30%.

As such, China, being one of the largest net importers of iron ore products, needs to import iron ore products from overseas. In 2009, the iron ore dependency ratio on external supply reached a record high of 73%, rising from 48% in 2001. In 2011, the iron ore dependency ratio on external supply was 68%. According to Antaika Report, such situation will persist and iron ore import is expected to stabilise in China in the next few years while the dependency ratio is expected to remain high. This creates a favorable business environment conducive for overseas iron ore products suppliers.

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Currently, the three largest sources of iron ore imports into China are Australia, Brazil and India. Together, they accounted for 75% of total iron imports into China in 2011. Benefited from the anticipated demand and significant shortfall of iron ore concentrates supplies in China, there is growth potential for our business development because of (i) our close proximity to our major customers in the PRC; (ii) our high grade and quality of iron ore concentrates; and (iii) cost-efficiency from open-pit mining.

Leveraging on (i) the sizeable high quality mineral resources and ore reserves of the Ibam Mine; (ii) our well-established business relationship with reputable steel manufacturers and/or their respective purchase agent in the PRC; and (iii) our highly efficient operation and strong ramp-up potential, we believe that we are well-positioned to further expand our business operation in Malaysia.

Although we face competition from domestic iron ore producers and from international iron ore producers in our primary markets, taking the above into account and the competitive advantages as set out in “Business — Our Competitive Strengths” in this prospectus, our Directors believe that competition from other iron ore producers currently does not present a substantial challenge to the market demand for our products and that we will be able to benefit from the growth of the China’s economy and steel industry.

### QUALITY CONTROL

We believe maintaining a high product quality is important to our success. As at the Latest Practicable Date, we deployed our employees to perform on-site inspections for our crushing lines and beneficiation lines for Project Ibam. We monitor our production processes closely by taking samples of raw ores, iron ore concentrates and tailings at different stages in the production process and examining them at our laboratories. Our quality testing laboratory is fully equipped to carry out quality checks. As at the Latest Practicable Date, we had two laboratory analysts stationed at our testing laboratory. During the Track Record Period, we did not receive any complaints regarding the quality of our products that had a material adverse effect on our business, financial condition or results of operations.

### INVENTORY

As at 31 December 2010, 2011 and 2012, we had inventories of USD1.6 million, USD0.2 million and USD1.3 million, respectively. Our inventory comprises primarily ore extracted from our mining pits, iron ore concentrates and iron ore fines. The iron ore products are stored at our Kuantan Warehouse. We believe we maintain strict control over our inventory by taking measurements of our iron ore products. We keep monthly inventory records and carry out regular inventory assessments.

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### RESEARCH AND DEVELOPMENT

We are committed to optimising our mining and iron ore processing operations. During the Track Record Period, we have entered into a cooperation agreement with Comprehensive Rock Ore Testing Centre in June 2010, pursuant to which Comprehensive Rock Ore Testing Centre is responsible for, among others, analysing iron ore samples, testing for suitable beneficiation conditions, recommending iron ore beneficiation procedures and compiling a written report. Such research and development of new production know-how are crucial to our mining and iron ore beneficiation operations. We have implemented a number of technologies at our iron ore beneficiation line to enhance our production capacity and efficiency as well as to increase the iron grades of our products as a result of the recommendations from Comprehensive Rock Ore Testing Centre. We intend to continue to cooperate with professional research and development institutions as and when suitable opportunities arise.

**REGULATORY COMPLIANCE**

Our Directors are not aware of any historical and material non-compliance by us under Malaysian laws pursuant to the carrying on of our mining operations during the Track Record Period and as at the Latest Practicable Date, save for certain permit and approval as set forth below:

No.	Matters	Reasons	Laws and regulations concerning the punishment/penalty	Rectification actions taken/to be taken
1.	Storing of diesel at the Ibam Mine for the period between September 2011 and 5 June 2012 without a valid scheduled controlled item permit	We have engaged a third party for the supply of diesel at the Ibam Mine. We believed, at the beginning of the operation at the Ibam Mine in the third quarter of 2011, the diesel supplier would handle the scheduled controlled item permit in a manner complying with the provisions of the Control of Supplies Act 1961. We started storing diesel at the Ibam Mine in or around September 2011. Upon realising the third party diesel supplier's inaction to apply for the permit in December 2011 and the storage of diesel at the Ibam Mine without a valid permit, the Directors assessed the legal consequences arising therefrom and considered that such legal consequences did not pose adverse legal effect on the mining rights of the Ibam Mine. Nevertheless, the Directors prepared for the application of the scheduled controlled item permit as soon as reasonably practicable in December 2011.	A scheduled controlled item permit is required in order for us to store diesel at the Ibam Mine and storage of diesel without a scheduled controlled item permit is an offence under section 21 of Control of Supplies Act 1961. We have obtained the scheduled controlled item permit which is valid from 5 June 2012 to 4 June 2013 in respect of the Ibam Mine. However, we did not obtain any scheduled controlled item permit to store diesel on the Ibam Mine prior to the above-mentioned permit. As such, we have stored diesel at the Ibam Mine prior to 5 June 2012 without a valid permit. Our failure to apply for a scheduled controlled item permit since the commencement of diesel storage at the Ibam Mine is an offence pursuant to section 21 of the Control of Supplies Act 1961 and, if convicted, Capture Advance shall be liable to a fine not exceeding RM250,000 (equivalent to USD78,690.6) and for subsequent offence, to a fine not exceeding RM500,000 (equivalent to USD157,381.2). The directors or officers of Capture Advance shall on conviction be liable to a fine not exceeding RM100,000 (equivalent to USD31,476.2) or to imprisonment for a term not exceeding three years or to both, for a second or subsequent offence,	We have obtained the scheduled controlled item permit which was valid from 5 June 2012 to 4 June 2013 in respect of the Ibam Mine. We made an application for renewal on 8 May 2013 and have on 12 June 2013 obtained the renewed scheduled controlled item permit with validity period from 12 June 2013 to 11 June 2014. As advised by Ben & Partners, upon enquiry made with the relevant authority, the enforcement authority will not normally proceed to prosecute or fine Capture Advance and/or its directors or officers for storing diesel with an expired diesel storage permit so long as Capture Advance has submitted the renewal application for the diesel storage permit.



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No.	Matters	Reasons	Laws and regulations concerning the punishment/penalty	Rectification actions taken/to be taken
			<p>to a fine not exceeding RM250,000 (equivalent to USD78,690.6) or to imprisonment for a term not exceeding five years or to both unless he proves that the offence was committed without his knowledge or that he took reasonable precautions to prevent its commission. As advised by Ben &amp; Partners, upon enquiry with an officer from the Enforcement Unit of Rompin branch office of Domestic Trade, Co-operatives &amp; Consumerism, the enforcement authority will not normally proceed to prosecute or fine Capture Advance and/or its directors or officers for its previous failure to apply for the permit for diesel storage as long as Capture Advance is currently holding a valid scheduled controlled item permit.</p>	
2.	<p>Failure to furnish details of all the machineries installed and operated at the Ibam Mine to the Pahang Department of Occupational Safety And Health for the period between October 2011 (being the time during which the machineries were first installed) and 7 November 2012</p>	<p>We misunderstood that the sellers of the machineries who were responsible for the installation had made all documentation in compliance with all applicable Malaysian laws, rules and regulations for the installation and operation of the machineries. We became aware of the third party sellers' omission to apply for the approval upon Ben &amp; Partners' legal due diligence works conducted on us. Our Directors assessed the legal consequences arising therefrom and considered that such legal consequences did not pose adverse legal effect on the mining rights of the Ibam Mine. Relevant application was made to the Pahang Department of Occupational Safety And Health immediately thereafter in May 2012 and</p>	<p>Written approval of an Inspector of Factories and Machinery from the Pahang Department of Occupational Safety and Health is required to install the machineries currently being operated at the Ibam Mine. All machineries are legally allowed to be operated on a site upon the written approval to install and one month after the applicant submits the Notice of First Occupation of a Factory to the Pahang Department of Occupational Safety and Health. As advised by Ben &amp; Partners upon enquiry made with the Inspector from the headquarters of the Department of Occupational Safety and Health in the Federal Territory of Putrajaya, the Pahang Department of Occupational Safety and Health will not</p>	<p>We have submitted the relevant applications to the Pahang Department of Occupational Safety And Health for installation of machineries currently operated at the Ibam Mine in May 2012 and have obtained the written approval to install machineries on 7 November 2012.</p>

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No.	Matters	Reasons	Laws and regulations concerning the punishment/penalty	Rectification actions taken/to be taken
		<p>we have retained Ben &amp; Partners as our Malaysia legal advisor to monitor and supervise our compliance with relevant Malaysia laws and regulations.</p>	<p>normally proceed to prosecute or fine operator of the machineries who has commenced installation and operation of the machineries before submitting the details of machineries to the Pahang Department of Occupational Safety and Health. However, should any accident happen on the premises/factory any place where machinery is being operated without the approval of the Pahang Department of Occupational Safety and Health, such operator of the machineries will be prosecuted or fined under the Factories and Machinery Act 1967 and be liable to a fine not exceeding RM100,000 (equivalent to USD31,476.2) or to imprisonment for a term not exceeding two years or to both. No accident had taken place at the Ibam Mine for the period from the machineries' installation up to the Latest Practicable Date.</p>	

Ben & Partners confirmed the non-compliance matters and the relevant laws and regulations as set forth above.

To the best knowledge and information of our Directors and based on Ben & Partners' opinion, the estimated maximum monetary exposure to our Group and per personnel of our Group in relation to these non-compliances as set forth above, if any, will be around RM250,000 (equivalent to USD78,690.6) and RM200,000 (equivalent to USD62,952.5), respectively.

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In order to prevent future regulatory non-compliance and further strengthen our internal control system, we have adopted the following remedial actions:

- Mr. Wang Er and Mr. Diao Dalin were appointed as our compliance officers on 22 October 2012. The biographical details of Mr. Wang and Mr. Diao are set out under the section headed “Directors, Senior Management and Staff” of this prospectus. In particular, Mr. Wang has approximately 29 years while Mr. Diao has approximately 23 years of experience in the mining industry. Both Mr. Wang and Mr. Diao joined our Group in March 2008 as resident representatives in Malaysia. They have obtained and accumulated practical experience in relation to mining operation in Malaysia since they joined us and are familiar with our mining operation. Our compliance officers report to our Board directly on a monthly basis to ensure that our operations are in compliance with applicable laws, rules and regulations, to strengthen the existing internal control framework and to recommend remedial plans to our Board should there be any internal control deficiencies. In addition, they have access to external professionals retained or to be retained by us from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary. The compliance officers supervise the renewal of all required licences, permits and approvals by monitoring the pending expiration dates of all licences, permits and approvals and coordinating the timely preparation and submission of the relevant renewal applications and report to our Board to ensure that all permits, licences and approvals are valid. Both Mr. Wang and Mr. Diao, with the assistance from the Malaysian legal advisor retained by us as well as their expertise and dedication, are able to apply their extensive experiences in overseeing the Group’s compliance matters;
- we have established the audit committee which comprises three independent non-executive Directors. Mr. Kong Chi Mo, our independent non-executive Director and member of the audit committee, possesses accounting experience. Mr. Kong is also as the chief financial officer and company secretary of a mining company listed in Hong Kong, which is based in the PRC and is primarily focused on iron ore and iron ore-related products. The audit committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliances with the relevant regulatory requirements. In particular, the audit committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;
- we have retained Ben & Partners as our Malaysian legal advisor in October 2012. Ben & Partners has acted as the Malaysian legal advisor for a mining company with mining assets in Malaysia, which was successfully listed on the Main Board of the Stock Exchange in December 2008. Ben & Partners will provide advice to the Board and our designated compliance officers on an ongoing basis in respect of all relevant Malaysia laws and regulations, including changes to such laws and regulations, which may affect our business operations in Malaysia;

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- we will further implement various training programs, with the support of our external Malaysian legal advisor, to update our employees on the relevant Malaysian laws and regulations. We will conduct regular compliance training for our employees to enhance their understanding of the current laws and regulations applicable to our Group, the obligations to fulfill the conditions of its licences, permits, approvals held or required, the importance of compliance and consequences of non-compliance, the methods to improve compliance and ensure that the relevant rules are implemented in practice. Compliance training in respect of mining operation in Malaysia, including an introduction to mining lease, small scale operation and large scale operation, was given to the management, compliance officers and relevant employees on 7 December 2012 and we undertake to offer compliance training subsequently on a monthly basis, with ad hoc training to be held if there are any material changes to the laws or regulations which apply. Training will also be given to new compliance personnel at the time of appointment;
- in order to further enhance the effectiveness of our internal control system, we have engaged an internal controls consultant in March 2012 to advise us on the adequacy on our accounting and management procedures, systems and controls before the Listing. We shall further appoint an external control consultant to review our Group's internal control measures and report findings and make appropriate recommendations to the audit committee and the Board on an annual basis after the Listing; and
- our Directors have attended trainings conducted by our Company's Hong Kong legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly listed companies under the Companies Ordinance, the Securities and Futures Ordinance and the Listing Rules and the Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong.

To prevent the recurrence of non-compliances, the internal control measures outlined above have been designed to enhance our understanding of the local rules and regulations. The appointment of compliance officers and the establishment of the audit committee also ensure that there will be constant monitoring for compliance. After considering the above remedial actions taken by our Group and our business nature and operation scale, our Directors are satisfied that our internal control system is adequate and fit for our current operation environment. As at the Latest Practicable Date, save that (i) the audit committee is to be established shortly before the Listing; (ii) the compliance training programs for our employees are on-going in nature; and (iii) the formal engagement letter with the external control consultant for an annual review of our Group's internal control measures after the Listing is yet to be entered into, the above internal control measures have been implemented as planned.

Our internal control measures have also been reviewed by an internal controls consultant, Baker Tilly Hong Kong Business Services Limited, who is an Independent Third Party. Based on the internal controls consultant's view and having made reasonable enquiries, the Sole Sponsor (i) has no reasonable doubts on the adequacy and effectiveness of our internal control measures given that all these measures are to be implemented as planned; and (ii) considers that the non-compliance incidents do not have any material impacts to the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of our Company under Rule 8.04 of the Listing Rule.

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By virtue of the Deed of Indemnity, our Controlling Shareholders have agreed to keep our Company and member(s) of our Group indemnified from and against any loss, damages, claims and penalties incurred or suffered by our Company or any members of our Group resulting from any non-compliance matters incurred before the Listing.

### INSURANCE

In accordance with what we believe is the customary practice for Malaysia iron mining operators, we have not obtained any insurance policies in respect of our business operations. Pursuant to the Mining Sub-contract entered into between us and the Mining Contractor, the Mining Contractor shall maintain such insurance against such risks as are necessary and in the industry norm and comply with the terms and conditions of the employer's insurance and the procedures for claims notification and administration thereunder, and shall do nothing nor omit to do anything which might render any insurance voidable.

During the Track Record Period, we did not experience any business interruptions or losses or damage to our facilities that had a material adverse effect on our business, financial condition or results of operations. We do not maintain any fire, earthquake, liability or other property, machineries/equipment insurance with respect to our equipment or inventories. We also do not maintain any business interruption insurance or third-party liability insurance against claims for property damage, personal injury and environmental liabilities.

Please refer to "Risk Factors — Risks Relating to Our Business — Our insurance coverage may be insufficient to cover our business risks" in this prospectus for risks associated with our insurance coverage. We will continue to review and assess our risks and make necessary adjustments to our insurance practice to meet our needs and comply with industry practices in the Malaysia.

### OCCUPATIONAL HEALTH AND SAFETY

We have to comply with the relevant rules and regulations laid down by the Department of Occupational Safety and Health of Malaysia in relation to the occupational safety and health of workers working on the Ibam Mine. These include, amongst other things, the provision of protective clothings and equipment to the workers on and visitors to the Ibam Mine, and providing training courses to workers on occupational safety and health. For details, please refer to the section headed "Regulations and JORC Code" in this prospectus.

In order to ensure our Group and the Independent Third Party contractors comply with the applicable laws relating to occupational health and safety, we have adopted the relevant internal controls policy and procedures for handling occupational health and safety matters. One of the responsibilities of our mine managers is to ensure all matters relating to occupational health and safety requirements are complied with according to the manuals on occupational health and safety prepared by us. A copy of such manuals will be distributed to and safety training will be provided to each employee when they join us. We will conduct monthly trainings to educate our employees and will

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request the Independent Third Party contractors to train their employees so that employees are familiar with the manuals and internal control policy concerning the occupational health and safety. Our Directors believe that these measures are adequate to address potential future risks associated with occupational health and safety.

To the best of our Directors' knowledge and belief, we have complied with all relevant health and safety laws and there have been no complaints from the relevant authorities as at the Latest Practicable Date. During the Track Record period, we had not experienced any material accidents or injuries in the course of our operations.

### ENVIRONMENTAL PROTECTION AND LAND REHABILITATION

#### Environmental protection

We are subject to various Malaysian environmental laws and regulations, as well as local environmental regulations promulgated by local authorities. These laws and regulations cover a broad range of environmental matters, such as mining control, land reclamation, air emissions, noise control, discharge of waste water and pollutants and waste disposal. Our costs for compliance with applicable environmental rules and regulations during the Track Record Period were nil, USD0.3 million and USD0.3 million, respectively. We expect that our costs for compliance with applicable environmental rules and regulations in 2013 will be USD0.3 million.

We have not been subject to any penalties for breach of environmental laws or regulations during the Track Record Period.

Our operations have the following effects on the environment: (1) our mining operations may cause soil erosion and deforestation and (2) our processing facilities may generate waste water. In order to minimise our business operation effect on the environment and manage the potential risks relating to environmental protection matters, we, through the Mining Contractor, will conduct reclamation/rehabilitation works as set out in the paragraph headed "Environmental Protection and Land Rehabilitation — Land rehabilitation" under this section of this prospectus and we also recycle and reuse waste water at our ore processing lines and tailings ponds. We will continue to explore other means to further improve resource optimisation and efficiency.

#### Land Rehabilitation

The terms and conditions of the Mining Lease, which we are required to comply with pursuant to the Mining Agreement, provide that the holder of the Mining Lease shall undertake relevant rehabilitation works. Our Mining Contractor is responsible for carrying out the reclamation/rehabilitation works pursuant to the Mining Sub-contract and shall indemnify us for all such damages, losses and expenses incurred by us arising from the breach of the Mining Sub-Contract by the Mining Contractor. A sum of RM50,000 (equivalent to USD15,738), being the costs of construction of the work shed and storage tank, paid by us to the Mining Contractor upon signing of the Mining Sub-Contract shall not be refunded to us in the event that the reclamation/rehabilitation works are properly conducted and completed by the Mining Contractor. The Mining Sub-Contract did not provide for any specific consideration payable to or by the Mining Contractor for rehabilitation works

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at the Ibam Mine. Our Directors confirmed that the consideration payable for rehabilitation work has been aggregated into the consideration payable for mining works to be undertaken on Ibam Mine. In the event that there is a change of mining contractor, we will ensure that the scope of work of the new mining contractor will include rehabilitation work and upon terms and conditions similar to the Mining Contractor. The rehabilitation fee totaling RM60,000 (equivalent to USD18,886) (being RM10,000 x 6 years) payable to the Malaysian government has been paid by Gema Impak prior to issuance of the Mining Lease and thereafter reimbursed by Pacific Mining pursuant to the terms provided in the Mining Agreement. Hence, no measure is required to ensure timely payment of rehabilitation fee to the Malaysian government by the mining contractors.

Reclamation or rehabilitation activity typically involves the removal of buildings, equipment, machinery and other physical remnants of mining, restoration of land features in mined-out areas, dumping sites and other mining areas and contouring, covering and revegetation of waste rock piles and other disturbed areas. Our Directors confirm that the operations of our mine are in compliance with the terms and conditions of the Mining Lease. Our provision for rehabilitation works in relation to the closure of the Ibam Mine including but not limited to the costs to be incurred in the restoration of tailing ponds constructed and the removal of the processing plants installed by our Group, which amounted to nil, USD0.3 million and USD0.3 million, respectively as at 31 December 2010, 2011 and 2012. As confirmed by our Directors, no provision was made as at 31 December 2010 because there was insignificant mining and beneficiation activities carried out in the Ibam Mine for the period from the Incorporation Date of 23 August 2010 to 31 December 2010.

## PROPERTIES

As at the Latest Practicable Date, we did not own any properties but leased three properties in Kuantan, Malaysia and one property in Hong Kong in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that as of 31 December 2012, each of our properties has a carrying amount below 15% of our combined total assets.

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The properties which we leased as at the Latest Practicable Date include two industrial sites and two office units. The two industrial sites have a total site area of approximately 39,262.3 sq.m. and the office units in Malaysia and Hong Kong have a gross floor area of approximately 160 sq.m. and 147.2 sq.m. (assuming 75% efficiency ratio), respectively. Based on due diligence report provided by our property valuer, the details of such properties are set out below:

NO.	Leased Properties	Site area (sq.m.)	Gross Floor Area (sq.m.)	Expiry dates of the leases
1.	GM 349, Lot 1992, Pengorak, Mukim of Sungai Karang, Daerah Kuantan, Pahang, Malaysia	19,028.3	N/A	28 February 2014
2.	a portion of land held under HS(M) 1663 PT 1663, Pengorak, Mukim of Sungai Karang, Daerah Kuantan, Pahang, Malaysia	20,234	N/A	28 February 2014
3.	No. 629, Second Floor, Jalan Beserah, 25300 Kuantan, Pahang Darul Makmur, Malaysia	N/A	160.0	31 March 2014
4.	Unit 5602, 56th Floor, The Center, 99 Queen's Road Central, Hong Kong	N/A	147.2 (assuming 75% efficiency ratio)	30 April 2016

The expiry dates of our leased properties range from 28 February 2014 to 30 April 2016. During the Track Record Period, we did not experience any difficulty or failure of renewing our lease agreements.

### HEDGING ACTIVITIES

We have not entered and do not intend to enter into any hedging contracts.

### INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we held one registered trademark. Details of our trademarks and other intellectual property rights are set out in “Appendix VI — Statutory and General Information — Further Information about the Company — Intellectual Property Rights” in this prospectus. We have not been involved in any claims with respect to the infringement of intellectual property rights belonging to third parties and, to the knowledge of our Directors, there are no such claims pending or threatened, which would have a material adverse effect on our business, financial condition or results of operations.



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### LITIGATION

As at the Latest Practicable Date, to the best knowledge of our Directors, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against our Company or our subsidiaries that could have a material adverse effect on our financial condition or results of operations.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately following completion of the Capitalisation Issue and the Global Offering, Cosmo Field and Mr. Li will control more than 50% of our issued share capital, irrespective of whether the Over-allotment Option or any option under the Share Option Scheme is exercised partially or in full, or at all. For the purpose of the Listing Rules, Cosmo Field and Mr. Li are our Controlling Shareholders. See “History and Corporate Structure” in this prospectus for further details.

### OUR CONTROLLING SHAREHOLDERS

Mr. Li joined our Group in 2009 and acquired the shareholding interests in our Group from his father Mr. Li Dongming as part of the business strategies of our Group and the succession plan of Mr. Li Dongming. Cosmo Field was wholly owned by Mr. Li since its incorporation and is an investment holding company.

Each of Cosmo Field and Mr. Li confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the business of our Group, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### INDEPENDENCE OF OUR GROUP

In the opinion of our Directors, our Group is capable of carrying on our businesses independently of, and does not place undue reliance on, the Controlling Shareholders and their respective associates, taking into account the following factors:

#### (i) Financial Independence

##### *Financial support from Controlling Shareholders and their Associates*

Our Group’s initial source of funds for investment in Malaysia came from a group of private investors (i.e. Mr. Li, Mr. Li Dongming, Ms. Yang Yiwei, Mr. Yang Jun, Ms. Liu Ping, Ms. Jin Lixuan, Mr. Liu Li and Mr. Gao Pengxiang). Each of Mr. Li Dongming, being the father of Mr. Li, and Ms. Yang Yiwei, being the cousin of Mr. Li, constitutes an associate of our Controlling Shareholder, Mr. Li. As at the Latest Practicable Date, all such outstanding debt owed by us to the said private investors including Mr. Li and his associates had been waived and/or settled and our Group was released from all the obligations thereunder.

Save as disclosed above, there was no financial support from our Controlling Shareholders and/or their associates before the Listing.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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### *General financing mechanism after Listing*

After Listing, we will apply the proceeds from the Global Offering and our internal working capital to implement our development plans, and we believe we are capable of obtaining further financing from third party financial institutions without reliance on our Controlling Shareholders and/or their associates.

Further, our Group has an independent financial system and makes financial decisions according to our own business needs.

On the basis of the above, our Directors are of the view that we will have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations after the Listing.

### **(ii) Operational Independence**

#### *General operation*

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing and sales with the Controlling Shareholders and/or their associates during the Track Record Period.

In respect of the operation of Project Ibam, we have been granted a mining right by Gema Impak pursuant to the Mining Agreement to conduct mining activities to the fullest extent as permitted under the Mining Lease. Please see further details in the sub-section headed “Project Ibam” below.

Besides, all the third party contractors in respect of Project Ibam (except Gema Impak) are Independent Third Parties.

#### *Project Ibam*

To the best knowledge of our Directors, back in 2007 when Mr. Li Dongming was exploring mining investment opportunities in Malaysia, it was a common business model for foreign investment in Malaysian mining business that the mining lease would usually be granted to a company incorporated in Malaysia which was beneficially owned by Malaysian nationals with local connections. The said Malaysian company will in turn license the rights under the mining lease to foreign investors. Therefore, Mr. Li Dongming, through his business connections, began discussion with the then directors of Pacific Mining. To the best knowledge of Mr. Li Dongming, the said directors of Pacific Mining then in turn contacted the then directors of Gema Impak, who were Malaysian nationals with local connections and were also keen on investing in mining business.

After Gema Impak obtained the Prospecting Licence in August 2009, Pacific Mining entered into the Mining Agreement with Gema Impak in October 2009, pursuant to which Gema Impak was entitled to receive the Mining Fee from Pacific Mining in relation to iron ore products mined, extracted and sold by us in respect of Project Ibam. According to the Antaike Report, when the Mining Fee of RM40

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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(equivalent to USD12.6) per tonne of iron ore under the Mining Agreement was arrived at in October 2009, the mine operator normally paid RM30-80 per tonne of iron ore to the land owner as “resource/leasing fee” in Malaysia, and the imported CIF price from Malaysia to PRC was approximately US\$75 per tonne.

Ben & Partners has confirmed that Gema Impak is bound by the Mining Agreement to: (1) continue to grant Pacific Mining the exclusive rights to undertake mining activities to the extent as allowed under the Mining Lease at an agreed fixed payment of RM40 every tonne of iron ores mined, extracted and sold by us from the Ibam Mine; and (2) procure the extension of the term of the Mining Lease at no additional consideration. Further, Ben & Partners has also confirmed that Gema Impak does not have unilateral right to terminate the Mining Agreement without cause. In the event that Gema Impak does not perform the obligation under the Mining Agreement and/or refuses to apply for extension of the term of the Mining Agreement without cause, it will constitute a breach of the Mining Agreement, and we may apply to court for an injunction, sue for specific performance or claim for damages against Gema Impak for its breach under the Mining Agreement. Details of the Mining Agreement are set out in the section headed “Business — The Ibam Mine — Our contractual rights under the Mining Agreement” of this prospectus.

### **(iii) Independence of Management**

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Mr. Li, our Controlling Shareholder, is an executive Director, and his aunt, Ms. Li Xiaolan, is also an executive Director. After the Listing, our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The Board’s main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

In the event that Mr. Li and his associate Ms. Li Xiaolan are required to abstain from voting on any contract or arrangement or proposal in which Mr. Li and/or his associates are materially interested, our three executive Directors and three independent non-executive Directors will control the majority of the votes of our Board. These management of conflicts procedures have also been reflected in the Articles of Association. Upon Listing, none of our senior management will have a role in any company owned by our Controlling Shareholders other than our Group. Accordingly, management decisions by our senior management or the Board will effectively be made independent of any other company owned by our Controlling Shareholders.

As for the decision-making mechanism of our Board, each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum so far as required by the Listing Rules or other applicable laws, rules and regulations.

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Further, following the Listing, our Board will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to disclose his/her interest and, subject to specified exceptions, shall not be counted in the quorum or be entitled to vote on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates has a material interest.

Based on the above, the Directors are satisfied that the Board as a whole together with the senior management is able to manage the Group independently of our Controlling Shareholders.

Three of the members of the Board are independent non-executive Directors who are all well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Furthermore, our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by the Board.

### **RULE 8.10 OF THE LISTING RULES**

The Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### **NON-COMPETITION UNDERTAKING**

In order to avoid any possible future competition between our Group and each of Mr. Li and Cosmo Field (the "Covenantors"), each of the Covenantors has executed a deed of non-competition (the "Deed") on 9 June 2013 in favour of the Company (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure his/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group save for the holding of not more than 5% shareholding interests (individually or with his/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its associates).

When business opportunities which may compete with the business of our Group arise, the respective Covenantor(s) shall, and shall procure their respective associates to, give us notice in writing and we shall have a right of first refusal to take up such business opportunities. We shall, within a period of 30 days if requested by all of our independent non-executive Directors, or such longer period if we are required to complete any approval procedures as set out under the Listing Rules from time to time, inform the Covenantor(s) whether we will exercise the right of first refusal or not. We shall only exercise the right of first refusal upon the approval of all our independent non-executive

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## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

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Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal. If a business opportunity is rejected by us under the right of first refusal clause in the Deed, we will disclose the background of the business opportunity and the basis of rejection in our latest annual or interim reports, including the decision of our independent non-executive Directors.

The undertakings mentioned above are conditional upon the fulfilment of the conditions stated in the sub-section headed “Conditions of the Hong Kong Public Offer” under the section headed “Structure of the Global Offering” in this prospectus. If any such condition is not fulfilled on or before the date falling 30 days after the date of this prospectus, the Deed shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed.

The Deed shall terminate on the earliest of the date on which (i) in relation to Mr. Li, when Mr. Li together with his associates, whether individually or taken together, directly or indirectly, ceases to be interested in 30% (or such other percentage as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) in relation to Cosmo Field, when Cosmo Field ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (iii) our Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of our Shares on the Stock Exchange due to any reason).

Our Company will adopt the following procedures to monitor that the Deed is being observed:

- (i) Our Board will establish a committee comprising all of our independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors and to evaluate the effectiveness in implementing the Deed;
- (ii) The Covenantors undertake to provide all information necessary for the evaluation of the enforcement of the Deed as requested by the relevant board committee from time to time; and
- (iii) The Covenantors will make an annual confirmation as to compliance with his/its undertaking under the Deed for inclusion in the annual report of our Company.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### THE BOARD

Our Board is responsible for and has general powers for the management and conduct of our business. Our Board consists of eight Directors, of whom five are executive Directors and three are independent non-executive Directors. Our executive Directors and senior management have specialized industry experience in mining. We have a core technical team comprising three executive Directors and three senior management members who individually have approximately 23 to 40 years of relevant industry experience. In particular, each of our core technical team members Messrs. Gong Maoqing, Wang Er, Dong Jie, Yan Xiaodong, Diao Dalin and Wang Zeping has approximately 40, 29, 29, 28, 23 and 31 years of experience in exploration and mining industry, respectively. Our Group believes that our executive Directors and senior management possess the management expertise and knowledge required for the operations of the Group's mines.

The following table sets out certain information about the members of our Board and senior management:

Name	Age	Position	Date of Appointment	Responsibilities within the Group	Approximate number of years of experience in the exploration and mining industry
<b>Executive Directors</b>					
Mr. Li	26	chairman, executive Director and chief executive officer	25 April 2012	daily corporate management and supervision	3
Ms. Li Xiaolan	48	executive Director and deputy general manager	12 April 2013	financial management	—
Mr. Wang Er	56	executive Director and production supervisor	12 April 2013	daily operations of mines and production	29
Mr. Gong Maoqing	75	executive Director	12 April 2013	geological exploration and technical chief	40
Mr. Dong Jie	58	executive Director	12 April 2013	ore processing technology study and technical supervisor	29

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**DIRECTORS, SENIOR MANAGEMENT AND STAFF**

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Name	Age	Position	Date of Appointment	Responsibilities within the Group	Approximate number of years of experience in the exploration and mining industry
<b>Independent Non-executive Director</b>					
Mr. Kong Chi Mo	38	independent non-executive Director	12 April 2013	independent supervision and management	—
Dr. Li Zhongquan	48	independent non-executive Director	12 April 2013	independent supervision and management	—
Dr. Wang Ling	55	independent non-executive Director	12 April 2013	independent supervision and management	—
<b>Senior Management</b>					
Ms. Chen Zhen	50	deputy general manager	12 April 2013	production cost control and administration	—
Mr. Yan Xiaodong	54	chief engineer	12 April 2013	on-site geological exploration and mining	28
Mr. Diao Dalin	58	mine manager	12 April 2013	on-site mining production supervision and management	23
Mr. Wang Zeping	56	vice deputy manager and mine manager	12 April 2013	on-site mining production supervision and management	31



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Name	Age	Position	Date of Appointment	Responsibilities within the Group	Approximate number of years of experience in the exploration and mining industry
Mr. Chu Lok Fung Barry	43	company secretary and financial controller	12 April 2013	company secretary, overall financial operations and financial reporting management	—

### Executive Directors

**Mr. Li Yang**, aged 26, was appointed as Director on 25 April 2012 and was re-designated as an executive Director, the chairman and chief executive officer of the Company on 12 April 2013. Mr. Li graduated from the College of Business of Eastern New Mexico University in the United States majoring in business administration in 2009. Mr. Li is currently the Group's resident key management executive in Malaysia, responsible for the day-to-day business management and supervision of mining production. Mr. Li is the son of Mr. Li Dongming and nephew of Ms. Li Xiaolan.

Mr. Li joined our Group in December 2009 as our resident representative in our mines in Malaysia. Since joining the Group, Mr. Li has accumulated approximately three years' experience in mining. Shortly after joining our Group, Mr. Li was involved in all aspects of our operations in Malaysia such as processing, beneficiation and sales of iron ore and hence had soon acquired a good understanding of our overall operations. In February 2010, Mr. Li was appointed as director of Capture Advance, our principal operating entity in Malaysia, and had since represented our Group to liaise with clients as well as various Malaysian governmental authorities. With English language skills and business and finance knowledge, Mr. Li has been the key figure in our Group's entering into Mining Sub-contract in respect of Ibam Mine, Cooperation Agreement in respect of Esperance Mine and Cooperation Memorandum in respect of Miva Mine. Apart from our business operation in Malaysia, Mr. Li also played a key role in the business development with the PRC clients, and was a key figure in procuring our Group's entering into framework agreement with one of our major customers. Mr. Li as our resident representative in Malaysia, was closely involved in our day-to-day mining operation and convened regular meetings to discuss with our resident Directors and the senior management teams who would provide their professional technical advice. Mr. Li is also responsible for strategic planning for the expansion of our business.

Mr. Li has been appointed as the director of Capture Advance since February 2010, and the director of Capture Advantage and director of Best Sparkle since June 2011.

Under Corporate Governance Code A.2.1 under Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The positions of chairman and chief executive officer of the Company are both currently carried on by Mr. Li. The Board considers that the structure currently operated by the Company does

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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not undermine the balance of power and authority between the board of Directors and the management. The Board members have considerable experience and qualities which they bring to the Company and the Board, of which Mr. Li can take advantage in fulfilling his duties, and the management is not impaired. Mr. Li 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 chairman and chief executive officer. The Board believes that having the same person performing the roles of both chairman and chief executive officer can provide the Group with strong and consistent leadership and that, operating in this manner 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 chairman of the Board should not be able to monopolise the voting result.

**Ms. Li Xiaolan**, aged 48, was appointed as an executive Director and deputy general manager of the Company on 12 April 2013. Ms. Li obtained the diploma in industrial enterprises operation and management from Sichuan Radio and Television University (四川廣播電視大學) in the PRC in 1986, and her bachelor's degree in accounting from Sichuan University (四川大學) in the PRC in 1992. Ms. Li is responsible for the financial management of the Group, and her duty includes enhancing internal control of our financial system, supervising the daily operation of our finance department and controlling the allocation of internal resources. In addition, Ms. Li is responsible for reviewing and approving the financials and feasibility of new projects. Ms. Li is the younger sister of Mr. Li Dongming and aunt of Mr. Li.

Ms. Li has approximately 14 years of experience in accounting. Ms. Li had been the finance director of Tongxing Group Mining Company (同興集團礦業公司) between January 1997 and October 2003, and finance director of Chengdu Hande between November 2003 and August 2007.

Ms. Li joined our Group in March 2008 and had been appointed as the director of Capture Advantage and Best Sparkle since August 2010 and November 2010 respectively.

**Mr. Wang Er**, aged 56, was appointed as an executive Director and production supervisor of our Company on 12 April 2013. Mr. Wang is mainly responsible for the daily operation and production of the Group's mines. Mr. Wang graduated from Henan Jiaozuo Mining Institute (河南焦作礦業學院) in the PRC with a major in mineral processing in 1998.

Mr. Wang has approximately 29 years of experience in the mining industry and his working experience includes:

Between September 1981 and November 1995, Mr. Wang successively served the positions of technician, engineer and deputy manager in the non-ferrous metal department at Sichuan Enterprises Mining Company (四川鄉鎮企業礦業公司), during which period his scope of work mainly covered the whole process from mining to sales, in particular, identification of mine fields, collection of mineral specimens and their laboratory analysis, construction of ore production lines upon confirmation of target sites and on-site supervision, screening of ore products and arrangement for delivery of ores to production facilities. When Mr. Wang served as deputy manager at Iron Ore Branch of Sichuan Enterprises Mining Company (四川鄉鎮企業礦業公司鐵礦分公司) between December 1995 to February 1998, he was mainly responsible for overseeing the company's mining activities and sales of iron ore.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Between March 1998 and October 2003, Mr. Wang served as a general manager of Sichuan Guandi Mine (四川官地鐵礦). Mr. Wang, as the key on-site person-in-charge of the mining project, was responsible for the construction of production lines for mining and staff arrangement for mining.

Between November 2003 and December 2006, Mr. Wang served as a general manager of Chengdu Hande, being mainly responsible for the preliminary screening of potential investment opportunities in mining sector.

Mr. Wang joined our Group in March 2008 as resident representative in Malaysia and participated in a number of field trips in searching for suitable mining projects in Malaysia since then. Mr. Wang was actively involved in the establishment of the Kuantan Warehouse. Mr. Wang had been appointed as director of Capture Advance, Pacific Mining and Capture Advantage since February 2010, May 2011 and June 2011 respectively. Mr. Wang is currently the key on-site person-in-charge of Project Ibam and is a resident supervisor at the mine site for overall mine production management and testing of the grade of iron ore.

**Mr. Gong Maoqing**, aged 75, was appointed as an executive Director of the Company on 12 April 2013. Mr. Gong is mainly responsible for the Group's geological prospecting and technical advisory. Mr. Gong graduated from the Chengdu University of Technology (成都理工大學) in the PRC (formerly known as Chengdu Geology College (成都地質學院)), majoring in metal and non-metal mining geology and prospecting in 1962. Mr. Gong is now a senior geological engineer and was awarded the second Lisiguang Geological Science Awards (李四光地質科學獎) in 1991 for his outstanding achievements in prospecting and received the Government Special Allowance awarded by the State Council of China (國務院政府特殊津貼) in 1992.

Mr. Gong has approximately 40 years of experience in the mining industry and his working experience includes:

Between October 1962 and August 1973, Mr. Gong worked at the Inner Mongolia Bureau of Geology (內蒙古自治區地質局), where he was mainly responsible for prospecting of piezoelectric quartz crystal, iron and apatite mines. Mr. Gong successively served the positions of geological technician, geological team leader, sub-team technical person-in-charge and main team deputy technical person-in-charge, mainly responsible for geological surveying.

Between September 1973 and April 1998, Mr. Gong worked at the Sichuan Metallurgical and Geological Prospecting Bureau (四川省冶金地質勘查局), where he served in a number of positions such as geological team leader, technical person-in-charge, engineer and chief engineer. Mr. Gong was responsible for the overall geological technical management, organization and implementation of prospecting work until his retirement in 1998. During the time when he was the chief engineer, Mr. Gong led his whole team of geological and surveying technicians and compiled around ten geological survey reports, such as the *Reconnaissance Geological Report on the Gold Mine at Miansawa* (《四川省冕寧縣緬薩洼岩金礦勘探地質報告》), *Mianning County, Sichuan Province*, the *Reconnaissance Geological Report on the Placer Gold at Jinchanggou, Likuang County, Sichuan*

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Province (《四川省理礦縣金廠勾砂金勘探地質報告》) and the *Reconnaissance Geological Report on the Placer Gold at Gucheng, Pingwu County, Sichuan Province* (《四川省平武縣古城砂金勘探地質報告》), and presented certificates of proof of over 30 tonnes of gold reserves of different types to the national authority.

Mr. Gong joined our Group in March 2008 and since then had joined a number of field trips to Malaysia in searching for suitable mining projects. Mr. Gong is currently providing technical advice in respect of the various aspects of the Group's geological prospecting work in Project Ibam.

**Mr. Dong Jie**, aged 58, was appointed as an executive Director of the Company on 12 April 2013. Mr. Dong is mainly responsible for the Group's processing technology study and providing technical advice. Mr. Dong graduated from Chengdu University of Technology (成都理工大學) in the PRC (formerly known as Chengdu Geology College (成都地質學院)), majoring in rock and mineral analysis in 1982.

Mr. Dong has approximately 29 years of experience in the mining industry and his working experience includes:

Between March 1982 and October 1996, Mr. Dong was a teaching staff at Chengdu Geology College focusing on the minerals study and analysis.

Between January 1997 and August 2005, Mr. Dong worked at Sichuan Guandi Mine (四川官地鐵礦) as chief engineer, being mainly responsible for the mining of an iron ore mine located in Huili County of Sichuan Province. As a key technical adviser and engineer of the said iron ore project, Mr. Dong was responsible for the analysis of processing technology, technical advisory, management, and on-site mining operations. Mr. Dong also directed the crushing, drying and ball mill pulverizing operations of iron ore. During Mr. Dong's term of office, the said mine achieved an average annual production of 1 million tonnes of iron ore.

Between September 2005 and August 2007, Mr. Dong served as a mining investment technical advisor for Chengdu Hande, being mainly responsible for certification of jade pieces and provision of technical advice and assessment in respect of mining projects.

Mr. Dong joined our Group as a chief engineer in March 2008 and since then had joined a number of field trips to Malaysia in searching for suitable mining projects. As a key technical advisor, Mr. Dong was responsible for collection of samples, conducting analysis and issuance of internal analysis reports during the early stage of Project Ibam. Mr. Dong is currently a technical adviser of the Group in respect of raw ore analysis and perfection of iron ore beneficiation technology.

### Independent Non-executive Directors

**Mr. Kong Chi Mo**, aged 38, *FCCA, FCIS, FCS (PE) & MHKIoD* was appointed as an independent non-executive Director on 12 April 2013. Mr. Kong has over 15 years of experience in the accounting, corporate governance and capital market.

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Mr. Kong has been the chief financial officer and company secretary of China Vanadium Titano-Magnetite Mining Company Limited (“China VTM”), a company listed on the Main Board of the Stock Exchange (stock code: 893), since May 2008 and September 2009 respectively. Mr. Kong has also been the independent non-executive director of Huazhang Technology Holding Limited, a company listed on the Growth Enterprise Market of the Stock Exchange (stock code: 8276) since May 2013. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as an associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong has been a fellow member of the Association of Chartered Certified Accountants since February 2008, a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since February 2012, and an associate member of the Hong Kong Institute of Directors (“HKIoD”) since May 2010. Mr. Kong received bronze certificate of merit in continuing professional development in 2010 and 2011 respectively from the HKIoD. Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor’s degree in business administration in May 1997.

**Dr. Li Zhongquan**, aged 48, was appointed as an independent non-executive Director of the Company on 12 April 2013, being mainly responsible for independent supervision and management of the Company. Dr. Li obtained his bachelor’s degree in science from the department of geology of Nanjing University (南京大學) in July 1986 and his master’s degree in science from the department of geology of Chengdu University of Technology (成都理工大學) (formerly known as Chengdu Geology College (成都地質學院)) in July 1989. Subsequently, Dr. Li worked with Chengdu since July 1989. Dr. Li then obtained his doctor’s degree in engineering from Chengdu University of Technology (成都理工大學) in June 1999, conducted research work as a post doctorate in Peking University from July 1999 to June 2002 and completed post-doctoral research in Saint Louis University of United States from May 2005 to November 2006. Dr. Li is currently serving as the director of the department of technology of Chengdu University of Technology (成都理工大學) and the secretary general of Sichuan Society for Mineralogy, Petrology and Geochemistry (四川省礦物岩石地球化學學會).

Dr. Li is currently engaged in the research work in the fields of structure geology and petroleum geology. Dr. Li had served as the leader in a variety of scientific research projects, among others, including the National “Eleventh Five-year” Key Scientific Research Project (國家“十一五”科技重大專項), the National “Ninth Five-year” Projects (國家“九五”項目), “Tenth Five-year” Technology Projects (國家“十五”項目), the National Natural Science and General Foundation (國家自然科學重點及面上基金), the Ph.D. Programs Foundation of Ministry of Education (教育部博士點基金) and Sichuan Province Funds for Outstanding Youth (四川省傑出青年基金).

**Dr. Wang Ling**, aged 55, was appointed as an independent non-executive Director on 12 April 2013, being mainly responsible for the independent supervision of the Company. Dr. Wang graduated from Southwest University of Science and Technology (西南科技大學) in the PRC (formerly known as Sichuan Institute of Building Materials (四川建築材料工業學院)) with a bachelor’s degree in

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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non-metallic mineral geology and exploration in 1982, and obtained a doctoral degree from Changsha Institute of Geotectonics, Chinese Academy of Sciences (中國科學院長沙大地構造研究所) in 1994. Dr. Wang was a visiting scholar at the department of earth sciences in University of Cambridge from December 1999 to December 2000.

During the period from July 1982 to December 1994, Dr. Wang worked with Southwest University of Science and Technology (西南科技大學) (formerly known as Sichuan Institute of Building Materials (四川建築材料工業學院) and Southwest China Institute of Technology (西南工學院)) as a lecturer, teacher and an associate research fellow successively. During the period from October 1995 to January 2002, Dr. Wang worked with Changsha Institute of Geotectonics, Chinese Academy of Sciences (中國科學院長沙大地構造研究所) as an associate research fellow, a research fellow and tutor for doctoral candidates successively. Dr. Wang has been a professor and tutor for doctoral candidates of Chengdu University of Technology (成都理工大學) since January 2002.

Dr. Wang received the Government Special Allowance awarded by the State Council of China (國務院政府特殊津貼) in 1999 and was recognized as the Leader of Academy and Technology (學術和技術帶頭人) in Sichuan in 2003.

From October 2001 to May 2008, Dr. Wang served as the independent director of Xiwang Foodstuffs Co., Ltd. (西王食品股份有限公司) (stock code: SZ000639, formerly known as Zhuzhou Qingyun Development Co., Ltd. (株洲慶雲發展股份有限公司) and Hunan Ginde Development Co., Ltd. (湖南金德發展股份有限公司)), a company listed on the Shenzhen Stock Exchange. Save as disclosed herein, Dr. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

### SENIOR MANAGEMENT

**Ms. Chen Zhen**, aged 50, was appointed as the deputy general manager of the Company on 12 April 2013, being mainly responsible for the control of production costs and administration of the Group. Ms. Chen graduated from a college in Sichuan, the PRC in 1987 majoring in industrial accounting.

Between March 2003 and April 2007, Ms. Chen was a deputy general manager with Tongxing Group Mining Company (同興集團礦業公司), which is specialised in domestic trading of iron ore in the PRC. Ms. Chen was mainly responsible for financial analysis of the iron ore trading business, particular duties included preparation of analytical reports of iron ore transactions, price negotiation and preparation of market analysis reports with reference to domestic iron ore trading.

Between May 2007 and February 2008, Ms. Chen worked with Chengdu Hande, being mainly responsible for financial control of the daily operations.

Ms. Chen joined our Group as a resident representative in Malaysia, a deputy general manager in March 2008 and was appointed as director of Pacific Mining since May 2011. Since then, Ms. Chen began to reside in Malaysia to handle the production cost control in respect of administration and mine project, particular duties include control of the expenses incurred during the mining process and

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assisting in finding suitable mining projects in Malaysia, liaising with and arranging for domestic manufacturers in the PRC to produce and deliver ore processing equipment to Malaysia, and liaising with and arranging for domestic scientific research institutes to conduct feasibility analysis of mining projects.

**Mr. Yan Xiaodong**, aged 54, was appointed as the Company's chief engineer on 12 April 2013, being mainly responsible for on-site geological exploration and mining operations of the Group. Mr. Yan graduated from Kunming Institute of Technology (昆明工學院) in the PRC majoring in mineral surveying and prospecting in 1983.

Mr. Yan has approximately 28 years of experience in the mining industry and his working experience includes:

Between August 1983 and December 2002, Mr. Yan worked with the Sichuan Metallurgy and Geology Exploration Bureau of the Ministry of Metallurgical Industry (四川省冶金地質勘探局) where he successively served as technician, assistant engineer and engineer. During that period of time, Mr. Yan mainly focused on geological prospecting, special study on gold mines and polymetallic mines. The projects in which Mr. Yan was involved included placer gold prospecting in Gucheng, Pingwu County and study on primary gold at Songpan, Luhuo and Daofu, etc in Sichuan Province, PRC. Mr. Yan had spent substantial time in searching for mine sites and collecting various data for analysis in respect of rocks, geology, tectonics and coastal activities. Mr. Yan also carried laboratory analysis of the raw data collected and prepared preliminary assessment reports.

Between January 2003 and February 2007, Mr. Yan served as a deputy general manager of Sichuan Licheng Mining Appraisal Limited Company (四川立誠礦業評估有限公司), a company qualified to conduct mineral asset appraisal. During that period, Mr. Yan was mainly responsible for appraisal of exploration rights and mining rights, providing geological and mining advice and advice on feasibility of mining investment projects, etc., in various kinds of minerals including covered coal, iron, vanadium titanium magnetite, ferrochrome, gold, etc. As a key member of the technical team, Mr. Yan spent substantial time in fields to collect specimens and prepared appraisal reports.

Mr. Yan joined our Group in March 2008 and since then had joined a number of field trips to Malaysia searching for mining projects. In particular, as a chief engineer, Mr. Yan was responsible for prospecting, collection of samples and preparing internal analysis reports during the early development stage of the Ibam Mine. Mr. Yan is currently responsible for ore beneficiation of the Ibam Mine and geological prospecting.

**Mr. Diao Dalin**, aged 58, was appointed as a mine manager of the Company on 12 April 2013, being mainly responsible for the supervision and management of the on-site production of Ibam Mine.

Mr. Diao has approximately 23 years of experience in the mining industry and his working experience includes:

Between January 1971 and December 1980, Mr. Diao joined the blasting mining operations of Dagushan, Liaoning Province during his service in the People's Liberation Army (中國人民解放軍) as a soldier and later as an officer.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Between November 1987 and February 2007, Mr. Diao worked with Hainan Jinao Mining Company Limited (海南金澳礦業有限公司) as a mine deputy manager and mine manager successively. Mr. Diao's main duties included processing of the iron ore mine at a mine located in An Ding County, Hainan Province such as construction of processing production lines, on-site supervision of workers' operations of the production lines, control and sample testing of the grades of ore. Iron ore mine of Hainan Jinao Mining Company Limited (海南金澳礦業有限公司) reached an average annual production of 240,000 tonnes of finished iron ore products during Mr. Diao's terms of office.

Mr. Diao joined our Group in March 2008 as resident representative in Malaysia and since then had joined a number of field trips to Malaysia in searching for mining projects. Mr. Diao was actively involved in the establishment of the Kuantan Warehouse.

**Mr. Wang Zeping**, aged 56, was appointed a vice deputy manager and mine manager of the Company on 12 April 2013 as resident representative in Malaysia, being mainly responsible for the supervision and management of the on-site production of Ibam Mine. Mr. Wang graduated from Haikou Technician School (海口市技工學校) in the PRC in 1980.

Mr. Wang has approximately 31 years of experience in the mining industry and his working experience includes:

During the period from August 1980 to December 1992, Mr. Wang worked with Standard Unit Factory of Haikou Machinery Bureau (海口機械局標準件廠) as a technician, director and deputy director successively, being mainly responsible for overall supervision on the mining equipment manufacturing (e.g. ball mill and grinder), assisting clients on mining sites for mining equipment and providing assembly and production guidance.

During the period from January 1993 to November 2007, Mr. Wang worked with Haikou Yiming Industry and Trade Company (海口怡明工貿公司) as deputy general manager and general manager, being mainly responsible for the overall supervision of upgrading iron ore to higher grade of iron concentrate and other iron products. Furthermore, Mr. Wang also stationed at the mining sites for preparing the mining project map and assisting clients with installation of production lines. The principal activities of Haikou Yiming Industry and Trade Company (海口怡明工貿公司) are processing and sales of iron ore.

Mr. Wang joined our Group since March 2008, mainly responsible for supervising the daily operation of beneficiation line of Ibam Mine.

**Mr. Chu Lok Fung Barry**, aged 43, was appointed as the company secretary and financial controller of the Company on 12 April 2013. Mr. Chu is responsible for accounting, financial reporting and internal control procedures of the Company. Prior to joining the Group, Mr. Chu was the assistant controller of Winson Oil International (HK) Limited between March 2010 and October 2012. From September 2003 to February 2010, Mr. Chu was the group chief accountant of Come Sure Group (Holdings) Limited (錦勝集團(控股)有限公司) (stock code: 794), a company listed on the Stock Exchange. Mr. Chu served in the audit department of two audit firms in Hong Kong for the period between May 1997 and July 2001 and the period between March 2002 and March 2003 respectively, and he was responsible for various statutory and special audit assignments. From March 1996 to May



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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1997, Mr. Chu served as a management trainee in Midas International Holdings Limited (stock code: 1172) and was responsible for group budgeting and management reports. Mr. Chu holds a master of arts in philosophy from the Chinese University of Hong Kong, a master of science in accountancy from the Hong Kong Polytechnic University and a bachelor's degree in business from Monash University in Australia. He is a Fellow Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia. Mr. Chu has over ten years of experience of auditing, financial and accounting gained from international accounting firms and listed companies.

Save as disclosed above, each of our Directors and each member of our senior management has confirmed that he or she has not held any directorships or major appointments in other listed public companies in Hong Kong or overseas in the three years preceding the Latest Practicable Date.

### COMPANY SECRETARY

Mr. Chu Lok Fung Barry is the company secretary of the Company. Please refer to the sub-section headed "Senior Management" above in this section for details of his biography.

### BOARD COMMITTEES

#### Audit committee

Our Company will establish an audit committee in compliance with Rule 3.21 of the Listing Rules pursuant to a resolution of our Directors passed at a board meeting on 12 April 2013 with effect upon the Listing. The primary duties of the audit committee include ensuring that an effective financial reporting and internal control system is in place and compliance of the Listing Rules, controlling the completeness of the Company's financial statements, selecting external auditors and assessing their independence and qualifications, and ensuring the effective communication between our internal and external auditors. The audit committee initially comprises of three members, namely, Mr. Kong Chi Mo (chairman of the audit committee), Dr. Wang Ling and Dr. Li Zhongquan.

#### Remuneration committee

Our Company will establish an remuneration committee in compliance with Rule 3.25 of the Listing Rules pursuant to a resolution of our Directors passed at a board meeting on 12 April 2013 with effect upon the Listing. The primary duties of the remuneration committee include assisting the Board in determining the remuneration policy for and structure of the Directors and senior management, reviewing incentive schemes and service contracts of the Directors, and ensuring the execution of the remuneration packages of the executive Directors and senior management. The remuneration committee initially comprises of three members, namely, Dr. Wang Ling (chairman of the remuneration committee), Dr. Li Zhongquan and Ms. Li Xiaolan.

#### Nomination committee

Our Company will establish an nomination committee in compliance with paragraph A.5.1 of Appendix 14 to the Listing Rules pursuant to a resolution of our Directors passed at a board meeting on 12 April 2013 with effect upon the Listing. The primary duties of the nomination committee include

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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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 initially comprises of three members, namely, Mr. Li (chairman of the nomination committee), Dr. Wang Ling and Dr. Li Zhongquan.

### Compliance Advisor

We have appointed China Everbright Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will provide advice to us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) if a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (iii) if we propose to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or if our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (iv) if the Stock Exchange makes any inquiry to us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

### REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries and discretionary bonuses in relation to the performance of our Group. We also reimburse them for expenses which are necessarily and reasonably incurred for the provision of services to us or executing their functions in relation to our operations. The remuneration committee regularly reviews and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized under the paragraph headed “Share Option Scheme” in Appendix VI to this prospectus.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT DURING THE TRACK RECORD PERIOD

During the period from 23 August 2010 to 31 December 2010 and for the two years ended 31 December 2012, the aggregate amount of remuneration, including fees, salaries, discretionary bonus, defined contribution plans (including pension), housing and other allowances, and other benefits in kind, paid to our Directors by any member of our Group were US\$36,000, US\$111,000 and US\$129,000, respectively.

Under the arrangements currently in force, we currently estimate the aggregate remuneration and benefits in kind, excluding discretionary bonuses, payable by any member of our Group to our Directors for the current financial year ending 31 December 2013 will be approximately US\$163,320.

During the period from 23 August 2010 to 31 December 2010 and for the two years ended 31 December 2012, the aggregate amount of remuneration, including fees, salaries, discretionary bonus, defined contribution plans (including pension), housing and other allowances, and other benefits in kind, paid by our Company to the five highest paid individuals (two being the Director during the period from 23 August 2010 to 31 December 2010; three being the Directors for the year ended 31 December 2011; and three being the Director for the year ended 31 December 2012), were US\$45,000, US\$66,000 and US\$64,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as compensation for loss of office in respect of the period from 23 August 2010 to 31 December 2010, for the two years ended 31 December 2012. Further, none of our Directors has waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable, in respect of the two years ended 31 December 2011, by us to our Directors.

None of the Controlling Shareholders, Directors or their respective associates have any interests in any business that competes or may compete with the businesses of our Group.

### STAFF

#### General information

As at 31 December 2010, 31 December 2011 and 31 December 2012, the breakdown of the staff of our Group is as follows:

	As at 31 December		
	2010	2011	2012
Technical Department	11	16	15
Finance Department	5	5	7
Marketing	3	3	6
Administration and Human Resources	<u>2</u>	<u>3</u>	<u>16</u>
Total	<u>21</u>	<u>27</u>	<u>44</u>

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### **Our Group's relationship with staff**

There have been no major problems between our Group and our staff, and our Group has not experienced any disruption to our operations due to labour disputes nor has our Group experienced any difficulties in the recruitment and retention of experienced staff. Our Directors believe that our Group has a good working relationship with our staff. During the period from 23 August 2010 to 31 December 2010, the year ended 31 December 2011, and the year ended 31 December 2012, our Group complied with all the relevant requirements under any fair labour standards, working environment and codes of conduct regarding recruitment of staff and was not subject to any punishment in respect of recruitment.

In addition, the Directors believe that the successful retention of our experienced staff, especially senior executives, is mainly because our Group offers competitive remuneration packages to our staff. Our Group will regularly appraise the performance of our staff in an objective manner. Our Group will conduct annual remuneration review at year end and give discretionary bonuses to our staff as one of the measures to retain our staff. Our Group will also arrange secondment of staff between different departments and units to help our staff gain more experience and develop their career.

## CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any option that may be granted under the Share Option Scheme or the arrangements under the Stock Borrowing Agreement), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding
Cosmo Field	Beneficial owner	843,750,000	56.25%
Mr. Li	Interest in controlled corporation ( <i>note 1</i> )	843,750,000	56.25%
Hua Heng	Beneficial owner	100,575,000	6.705%
Yang Jun	Interest in controlled corporation ( <i>note 2</i> )	100,575,000	6.705%
Venus Investment Fund ( <i>note 3</i> )	Beneficial owner	( <i>note 4</i> )	( <i>note 4</i> )

*Notes:*

- (1) Mr. Li beneficially owns the entire issued share capital of Cosmo Field. Therefore, Mr. Li is deemed, or taken to be, interested in all our Shares held by Cosmo Field for the purpose of the SFO. Mr. Li is the sole director of Cosmo Field.
- (2) Mr. Yang Jun beneficially owns the entire issued share capital of Hua Heng. Therefore, Mr. Yang Jun is deemed, or taken to be, interested in all our Shares held by Hua Heng for the purpose of the SFO. Mr. Yang Jun is the sole director of Hua Heng.
- (3) Pursuant to a cornerstone investment agreement dated 10 June 2013 entered into between our Company, Venus Investment Fund, China Everbright Securities (HK) Limited, and BOCI Asia Limited, Venus Investment Fund agreed to subscribe for our Shares in the amount of USD15,000,000.
- (4) Assuming the mid-point Offer Price of HK\$1.45 per Offer Share and the exchange rate adopted being US\$1.00 to HK\$7.772, Venus Investment Fund will be allotted Offer Shares representing approximately 5.4% of the issued share capital of the Company upon completion of the Global Offering pursuant to the cornerstone investment agreement dated 10 June 2013 between the Company, Venus Investment Fund, China Everbright Securities (HK) Limited and BOCI Asia Limited.

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## **CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, any option that may be granted under the Share Option Scheme or the arrangements under the Stock Borrowing Agreement), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

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## SHARE CAPITAL

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### SHARE CAPITAL

Assuming the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, our share capital immediately following the Capitalisation Issue and the Global Offering will be as follows:

	<i>HK\$</i>
<i>Authorised share capital</i>	
3,000,000,000	Shares
	30,000,000
	<i>HK\$</i>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:</i>	
50,000	Shares in issue at the date of this prospectus
1,124,950,000	Shares to be issued pursuant to Capitalisation Issue
<u>375,000,000</u>	Shares to be issued pursuant to the Global Offering
Total: 1,500,000,000	
	500
	11,249,500
	<u>3,750,000</u>
	15,000,000

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, our share capital immediately following the Capitalisation Issue and the Global Offering will be as follows:

	<i>HK\$</i>
<i>Authorised share capital</i>	
3,000,000,000	Shares
	30,000,000
	<i>HK\$</i>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:</i>	
50,000	Shares in issue at the date of this prospectus
1,124,950,000	Shares to be issued pursuant to Capitalisation Issue
375,000,000	Shares to be issued pursuant to the Global Offering
<u>56,250,000</u>	Shares to be issued pursuant to the Over-allotment Option
Total: 1,556,250,000	
	500
	11,249,500
	3,750,000
	<u>562,500</u>
	15,562,500

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## SHARE CAPITAL

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### RANKING

The Hong Kong Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after date of Listing other than participation in the Capitalisation Issue.

### CAPITALISATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 12 April 2013, subject to the share premium account of our Company being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 1,124,950,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 12 April 2013 (or as they may direct) in proportion to their respective shareholders (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$11,249,500 standing to the credit of the shares premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

### THE ISSUING MANDATE

Conditional on the conditions as stated in the paragraph headed “Conditions of the Global Offering” in the section headed “Structure of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

The issuing mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme. The issuing mandate Shares will remain in effect until the earliest of:

- (a) the conclusion of our Company’s next annual general meeting;



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## SHARE CAPITAL

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- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or our Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of the issuing mandate please refer to the paragraph headed "Written resolutions of our Shareholders passed on 12 April 2013" in Appendix VI to this prospectus.

### THE REPURCHASE MANDATE

Conditional on the conditions as stated in paragraph headed "Conditions of the Global Offering" in the section headed "Structure of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the sub-section headed "Further Information about our Company — Repurchase of our Shares by our Company" in Appendix VI to this prospectus.

The Repurchase Mandate will remain in effect until the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

For further details of the Repurchase Mandate, please refer to the paragraph headed "Repurchase of our Shares by our Company" in Appendix VI to this prospectus.

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## SHARE CAPITAL

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### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the sub-section headed “Share Option Scheme” as set out in Appendix VI to this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

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## FINANCIAL INFORMATION

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*You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report included as Appendix I to this prospectus. Our financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").*

*The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, see the section headed "Risk Factors" in this prospectus.*

### OVERVIEW

We are a newly-established iron ore product supplier in the State of Pahang, Malaysia. Our primary business operations include iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines. We sell our iron ore products primarily to steel manufacturers and/or their respective purchase agents in China. As at the Latest Practicable Date, we owned and operated six beneficiation lines (including two beneficiation lines are in the course of relocation from the Esperance Mine to the Ibam Mine and is expected to be completed in or around September 2013) and two crushing lines. As at the Latest Practicable Date, the annual mining, crushing and beneficiation volume of Project Ibam was 2.40 Mt, 0.81 Mt and 0.58 Mt, respectively. According to our expansion plan and subject to the approval of Office of Director of Lands and Mines Pahang for the alteration of the Mining Lease and JMG Pahang for the submission of the modified operational mining scheme from small scale operation to large scale operation, we expect that by the end of 2015, the annual mining volume for Project Ibam will reach 13.22 Mt and there will be a total of 18 beneficiation lines in operation with a total annual beneficiation volume of 3.18 Mt as well as a total of 14 crushing lines with a total annual crushing volume of 4.45 Mt. According to the Antaike Report, the national average iron content in Chinese crude iron ores is just around 30% while the iron content of raw ores mined from the Ibam Mine has superior iron content ranging from 31% to 61%. With our sizable high quality mineral resources and ore reserves, low-cost open-pit operation method, strategic location and strong ramp-up potential on production capacity, we believe we are well-positioned to capture the business opportunities arising from the growth of the iron ore market in China. Our overall strategic objective is to exploit our competitive advantages to become one of the leading iron ore product suppliers in Malaysia in terms of production volume of iron ore products.

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## FINANCIAL INFORMATION

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Please refer to the section headed “Business — Overview” of this prospectus for further details of our business operation.

### **BASIS OF COMBINATION**

The financial information comprises the financial statements of our Group for the period from the Incorporation Date of 23 August 2010 to 31 December 2010, the year ended 31 December 2011 and the year ended 31 December 2012. Subsidiaries are all those entities over which our Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Financial Information, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully combined from the date on which control is obtained by our Group and cease to be combined from the date on which control is transferred out of our Group.

The acquisition of subsidiaries by our Group from entities other than those under common control is accounted for using the acquisition method of accounting.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the parent and are presented separately in the statements of comprehensive income and within equity in the combined statements of financial position, separated from the parent shareholders' equity.

### **FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our results of operations and financial condition have been, and will continue to be affected by a number of factors, including those set forth in the “Risk Factors” section of this prospectus and the following factors, some of which may not be within our control and/or may not be indicative of future results of operations.

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## FINANCIAL INFORMATION

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### Pricing of products

The selling price of our iron ore products is mainly based on the iron content contained in our iron ore products. The following table sets forth our average selling price per tonne on dry basis of our iron ore products for the periods indicated.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
Average selling price (USD/dry tonne)	90.1	122.3	116.6

*Note:* Iron ore products produced from our discontinued operation at the Besol Mine and Talam Mine were excluded from the sales volume on dry basis and revenue from sales of iron ore products.

We negotiate with our customers on iron ore product price with reference to the Platts Index and product prices index on Mysteel.com which are on dry basis. Our iron ore products are weighted and recorded internally on wet basis. The settlement among our customers and us are based on sales volume on dry basis, which makes reference to the volume on dry basis in inspection and/or custom clearance records in Malaysia and/or China. The average selling price on dry basis is set out above for reference. Unless otherwise specified, all references to volumes of iron ore or iron ore products in this prospectus refer to volume on wet basis.

The average selling price of our iron ore products began to pick up in the first half of 2010 as a result of the recovery of the global economy and the stimulus plans implemented by the PRC government which raised the demand for steel in the PRC.

The following table sets forth a breakdown of average selling prices of iron ore products by iron grades that our Group sold for the periods indicated:

<b>Iron content</b>	<b>For the period from 23 August to 31 December 2010 (USD/dry tonne)</b>	<b>For the year ended 31 December 2011 (USD/dry tonne)</b>	<b>For the year ended 31 December 2012 (USD/dry tonne)</b>
53%	90.1	65.8	—
55%	—	97.9	—
56%	—	107.5	—
58%	—	122.0	—
60%	—	132.6	104.9
61%	—	—	82.9
62%	—	—	99.8
			<i>(Note 1)</i>
63%	—	165.5	119.9
65%	—	—	141.0

## FINANCIAL INFORMATION

*Note:*

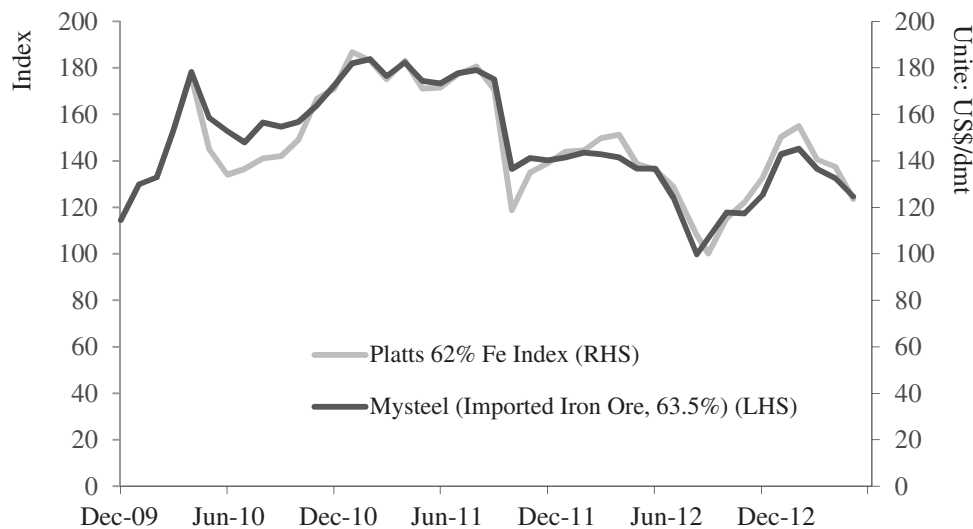
- (1) The iron ore products were sold to few Malaysian customers. As such, the transportation costs included in the selling price were much lower when compared with that sold to our PRC customers.

### *Market prices*

A number of factors affect market prices of iron ore products in China, including but not limited to the global and PRC supply of and demand for iron ore products and other macro-economic factors such as interest rates, expectations regarding inflation, currency exchange rates as well as general global economic conditions can also influence the market prices of our products. A majority of our customers are PRC steel manufacturers and/or their respective purchase agents and our selling price of iron ore products makes reference to the Platts and Mysteel Iron Ore Price Index which quotes the market price of iron ore products on dry basis.

The following table sets forth the daily reference price for the iron ore spot market in China quoted from Platts Index denominated in US\$/dmt and Mysteel Iron Ore Price Index for the periods indicated, which we believe are indicators for prevailing market prices of iron ore products of our products during such periods.

**Iron Ore Price Indices Dec 2009-May 2013**



*Source: Platts, Mysteel*

We believe that we will benefit from the sustainable development of the steel industry and the continued shortfall in domestic supply of iron ore in the PRC. Nevertheless, in the event of any slowdown of the global or PRC economy, in particular any decrease in the demand for iron ore products in the PRC, the market price will decrease and that may have an adverse effect on our business, financial condition and results of operations.

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## FINANCIAL INFORMATION

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### *Quality of iron ore products*

Iron ore products of higher quality typically command higher prices. The quality of iron ore products is primarily determined by their iron content and levels of impurities, such as sulphur, phosphorus and silica. We generally produce iron ore products at iron grades of over 60%, there is no guarantee that we can maintain such grade for our iron ore products, which may adversely affect the unit prices of our products.

The following table sets forth a breakdown of iron ore products with iron grades that our Group sold on wet basis for the periods indicated:

<b>Iron grades</b>	<b>For the period from 23 August to 31 December 2010 (tonnes)</b>	<b>For the year ended 31 December 2011 (tonnes)</b>	<b>For the year ended 31 December 2012 (tonnes)</b>
53%	81,950	9,500	—
55%	—	46,051	—
56%	—	7,890	—
58%	—	166,025	—
60%	—	48,857	64,460
61%	—	—	900
62%	—	—	54,966
63%	—	24,448	315,960
65%	—	—	27,810
Total sales volume	<u>81,950</u>	<u>302,771</u>	<u>464,096</u>

### **Sales volume**

We expect that sales volume will be the main driver of our revenue growth in the future. Our sales volume generally depends on demand for our products, our iron ore reserves and production capacity expansion plan. During the Track Record Period, sales volume of iron ore products from Project Esperance accounted for nil, 3.3% and 29.3%, respectively of our Group's total sales volume of iron ore products under continued operation. Upon the termination of the Cooperation Agreement on 10 April 2013, it is expected that no sales of iron ore products from Project Esperance by our Group. However, the iron ore products produced from Project Ibam will increase according to our

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expansion plan and to offset the decrease in the iron ore products produced from Project Esperance. The following table sets forth information regarding our sales volume of iron ore products on wet basis for the periods indicated.

	<b>For the period from the Incorporation Date of 23 August to 3 December 2010 (tonnes)</b>	<b>For the year ended 31 December 2011 (tonnes)</b>	<b>For the year ended 31 December 2012 (tonnes)</b>
<b>Continued Operation</b>			
Sales volume of iron ore products produced by us			
- under Project Ibam	—	115,393	178,168
- under Project Esperance	—	7,800	135,868
Sales volume of trading of iron ore products	<u>81,950</u>	<u>115,334</u>	<u>150,060</u>
<b>Discontinued Operation</b>			
Sales volume of iron ore products produced by us from Besol Mine	<u>—</u>	<u>64,244</u>	<u>—</u>
Total sales volume	<u><u>81,950</u></u>	<u><u>302,771</u></u>	<u><u>464,096</u></u>

### *Our iron ore reserves and production capacity*

The potential for the growth of our business depends on how successfully we are able to expand our mineral reserves and production capacity. We plan to increase our iron ore reserves by mining deeper into our existing mines, extending our mine operations to areas adjacent to the boundary limits of our existing mines as set forth in our current mining rights and expanding mineral reserves by acquiring other mines which are located adjacent to the Ibam Mine. We intend to expand our mining capacity through the engagement of additional mining contractors and expand our processing capacity by utilising our existing production facilities and constructing new production facilities.

According to our expansion plan, our annual mining volume of Project Ibam is expected to reach 5.01 Mt, 10.38 Mt and 13.22 Mt, respectively, by the end of 2013, 2014 and 2015. Our annual crushing volume of Project Ibam is expected to reach 1.69 Mt, 3.49 Mt and 4.45 Mt, respectively, by the end of 2013, 2014 and 2015 while our annual beneficiation volume of Project Ibam will reach 1.20 Mt, 2.50 Mt and 3.18 Mt, respectively.



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### **Costs of production**

Our costs of production are directly related to production volume. Our costs of production mainly include Mining Fee, purchase of iron ore, depreciation and amortisation, employee benefits, payment to mining contractor, diesel fuel costs and utilities costs. Variations in production volume and costs of mining, transportation and processing of iron ore are key factors that affect our costs of production. Fluctuations in the costs of production may have an adverse effect on our profitability.

### **The exportation policy in Malaysia**

Currently, there is no export duty in Malaysia payable by us in respect of export of iron ore products to the PRC. However, if the Malaysian government tightens export control and impose export duty on iron ore export or ban export of iron ore products to foreign countries in the future, our iron ore products will become less competitive and our business, financial condition and results of operations will be materially and adversely affected.

### **CRITICAL ACCOUNTING POLICIES**

Our financial statements have been prepared in accordance with IFRSs. Our principal accounting policies are set forth in Note 2.4 to the Accountants' Report, as set out in Appendix I to this prospectus. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by our Group, liabilities assumed by our Group and the equity issued by our Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

Goodwill is initially measured at cost being the excess of the consideration transferred, the amount recognised for non-controlling interest and any fair value of our Group's previously held equity interests in the acquiree over our Group's net identifiable assets acquired and liabilities assumed. If the sum of this consideration and the items is lower than the fair value of the net assets of the subsidiary acquired, the difference is after reassessment recognised in profit or loss.

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After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

### **Property, plant and equipment**

Items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs.

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction. Capitalization of these costs ceases and the construction in progress is reclassified to the appropriate category of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use was completed.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit and loss on the date of retirement or disposal.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, taking into account its estimated residual value or it is calculated using the Units of Production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

— Mine properties	On a UOP basis
— Machinery	3-10 years
— Vehicles	3 years
— Others	3 years

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No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### *Exploration rights and assets*

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

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### *Mining rights and reserves*

Mining rights and reserves are stated at cost less accumulated amortisation and any impairment losses. Mining rights and reserves include the cost of acquiring mining licences and exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights and reserves are amortised using the UOP method based on the proven and probable mineral reserves of the mines. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work-in-progress and finished goods, comprised direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(ii) *Rendering of services*

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(iii) *Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

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### DESCRIPTION OF SELECTED COMBINED STATEMENT OF COMPREHENSIVE INCOME ITEMS

#### Revenue

We derive our revenue primarily from the sale of our products to customers as well as from our trading activities. During the period from the Incorporation Date of 23 August 2010 to 31 December 2010, our revenue was generated entirely from the trading of iron ores products. We recorded the sale of the first batch of iron ore products from our Project Ibam in January 2011 and entered into the Cooperation Agreement in respect of Project Esperance with Esperance Mine in June 2011. Our revenue from sale of iron ore products is affected by our total sales volume which in turn is subject to our mining and processing capacity and prevailing market conditions.

Rendering of services refers to the beneficiation services provided to Esperance Mining. Pursuant to the Cooperation Agreement, Esperance Mining was to provide crude ore for our beneficiation at no monetary consideration. In exchange, we were entitled to 58% of the iron ore concentrates produced and to purchase the remaining 42% from Esperance Mining at the price reached upon commercial negotiation between Esperance Mining and our Group with reference to the prevailing local market price, which is in general lower than international iron ore market price. Therefore, the receipt of the 58% of the iron ore concentrates produced is regarded as the payment for the beneficiation services provided. According to the relevant accounting standard, beneficiation services provided by our Group shall be accounted for and calculated based on the fair value of the iron ore products received from Esperance Mining, which made reference to the purchase price of the remaining 42% iron ore products from Esperance Mining.

The following table sets forth a breakdown of our revenue from sale of iron ore products and rendering of services for the periods indicated.

	<b>For the period from Incorporation Date of 23 August 2010 to 31 December 2010</b>		<b>For the year ended 31 December 2011</b>		<b>For the year ended 31 December 2012</b>	
	<i>USD'000</i>	%	<i>USD'000</i>	%	<i>USD'000</i>	%
Sale of iron ore products						
Self-production						
- under Project Ibam	—	—	13,439	49.4	19,380	35.7
- under Project Esperance	—	—	793	2.9	14,123	26.0
Trading of iron ore products	6,865	100.0	12,722	46.7	16,483	30.3
Rendering of services	—	—	266	1.0	4,337	8.0
<b>Total revenue</b>	<u>6,865</u>	<u>100.0</u>	<u>27,220</u>	<u>100.0</u>	<u>54,323</u>	<u>100.0</u>

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During the period from Incorporation Date of 23 August 2010 to 31 December 2010, the year ended 31 December 2011 and the year ended 31 December 2012, our revenue from sale of iron ore products produced by our Project Ibam represented nil, 49.4% and 35.7% of our Group's total revenue, respectively; and our revenue from sale of iron ore products produced by Project Esperance represented nil, 2.9% and 26.0% of our Group's total revenue, respectively. Our revenue from trading of iron ore products represented 100.0%, 46.7% and 30.3% of our Group's total revenue for the period from the Incorporation Date of 23 August 2010 to 31 December 2010, for the year ended 31 December 2011 and the year ended 31 December 2012, respectively.

The Cooperation Agreement in respect of Project Esperance was terminated on 10 April 2013, it is expected that no revenue will be contributed from Project Esperance to our Group going forward. We expect that revenue from sale of iron ore products produced by our Project Ibam will increase in the coming years as more beneficiation facilities will be invested in phases in Project Ibam. On the contrary, revenue from sale of trading of iron ore products is expected to account for a smaller proportion of our Group's revenue going forward.

### Cost of sales

The following table sets forth a breakdown of our Group's cost of sales for the period indicated.

	<b>For the period from Incorporation Date of 23 August 2010 to 31 December 2010</b>		<b>For the year ended 31 December 2011</b>		<b>For the year ended 31 December 2012</b>	
	<i>USD'000</i>	%	<i>USD'000</i>	%	<i>USD'000</i>	%
Sale of iron ore products						
Self-production activities						
- Service fees to Mining Contractor	—	—	197	1.0	480	1.5
- Mining Fee	—	—	1,474	7.5	2,286	7.1
- Service fees to processing contractors	—	—	5,521	28.2	6,465	20.0
- Purchase from Esperance Mining	—	—	—	—	1,945	6.0
- Others	—	—	1,406	7.2	4,638	14.4
Trading activities						
- Purchase of iron ore	6,201	100.0	10,707	54.7	12,111	37.6
Rendering of services	—	—	265	1.4	4,322	13.4
<b>Total cost of sales</b>	<u>6,201</u>	<u>100.0</u>	<u>19,570</u>	<u>100.0</u>	<u>32,247</u>	<u>100.0</u>

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During the Track Record Period, our primary business operations include iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines. In the course of our production, we incurred mainly Mining Fee payable to Gema Impak at an agreed fixed payment of RM40 per tonne of iron ores mined, extracted and sold by our Group from the Ibam Mine and outsourcing costs for our production activities, including service fees to Mining Contractor for the provision of mining works carried out at the Ibam Mine and service fees to processing contractors for the provision of simple crushing and beneficiation works carried out at the Ibam Mine. Others include staff cost, depreciation and amortization, transportation expense for the delivery of iron ore products from Ibam Mine to Kuantan Warehouse and Kuantan Port and diesel fuel costs incurred in the course of our production activities. Rendering of services represents the corresponding cost for the rendering of processing and beneficiation services of all iron ore products produced in Project Esperance. The depreciation expenses of the two beneficiation lines in Project Esperance are also charged to cost of sales.

### Gross profit & gross profit margin

The following table sets forth a breakdown of our Group's gross profit and gross profit margin for the periods indicated.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
<b>Gross Profit (USD'000)</b>			
Sale of iron ore products			
Self-production activities	—	5,634	17,689
- Project Ibam	—	5,107	8,936
- Project Esperance	—	527	8,753
Trading activities	664	2,015	4,372
Rendering of services	—	1	15
<b>Overall</b>	<b>664</b>	<b>7,650</b>	<b>22,076</b>
<b>Gross Profit Margin</b>			
Sale of iron ore products			
Self-production activities	—	39.6%	52.8%
- Project Ibam	—	38.0%	46.1%
- Project Esperance	—	66.5%	62.0%
Trading activities	9.7%	15.8%	26.5%
Rendering of services	—	0.4%	0.3%
<b>Overall</b>	<b>9.7%</b>	<b>28.1%</b>	<b>40.6%</b>

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During the Track Record Period, our Group recorded a higher gross profit margin of over 60% from the self-production activities in Project Esperance pursuant to the Cooperation Agreement as a result of the lower level of cost incurred because of (i) the absence of exploration, mining and extraction cost; (ii) the absence of mining fee payable to the registered holder of mining lease of Esperance Mine and (iii) the favourable purchase price of the remaining 42% iron ore products from Esperance Mining at the price reached upon commercial negotiation between Esperance Mining and our Group with reference to the prevailing local market price, which is in general lower than international iron ore market price. Esperance Mining agreed to sell its iron ore products to us at a favourable price compared to the prevailing local market price because (i) beneficiation process requires a large amount of capital expenditure. Esperance Mining could substantially reduce its capital expenditure on beneficiation facilities through the Cooperation Agreement; (ii) Esperance Mining benefits from our stable demand for iron ore products produced from the Esperance Mine for we have established sales network and distribution channels in the PRC as we have established stable relationships with several reputable steel manufacturers and/or their respective purchase agents in the PRC; (iii) we are willing to offer favourable payment terms, including prepayments, to Esperance Mining from time to time; and (iv) we are responsible to handle all logistic arrangement, and Esperance Mining does not need to bear any transportation cost or other transaction fee in relation to the sales of the iron ore products by us.

However, upon the termination of the Cooperation Agreement on 10 April 2013, our Group's overall gross profit margin may drop if we are unable to improve the gross profit margin from the reduced average production cost under the economies of scale as a result of the expanding self-production activities in Project Ibam going forward. The following table sets forth the key financial information of (i) our Group as a whole; (ii) Project Esperance; and (iii) excluding the operations of Project Esperance during the Track Record Period.

	For the period from the Incorporation Date of 23 August 2010 to 31 December 2010			For the year ended 31 December 2011				For the year ended 31 December 2012			
	Our Group	Excluding		Our Group	Project Esperance (Sales of Rendering iron ore products)			Our Group	Project Esperance (Sales of Rendering iron ore products)		
		Project Esperance	Project Esperance		of services	Excluding Project Esperance	of services		Excluding Project Esperance		
Revenue (USD'000)	6,865	—	6,865	27,220	793	266	26,161	54,323	14,123	4,337	35,863
Gross profit (USD'000)	664	—	664	7,650	527	1	7,122	22,076	8,753	15	13,308
Gross profit margin (%)	9.7	—	9.7	28.1	66.5	0.4	27.2	40.6	62.0	0.3	37.1

Gross profit margin for trading activities was comparatively lower during the Track Record Period. As the revenue from the sale of trading of iron ore products is expected to account for a smaller proportion of our Group's revenue going forward, the reduced proportion is expected to have a positive impact on our Group's overall gross profit margin.

### Other income

Other income mainly represented exchange gain.



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### Selling and distribution expenses

Our selling and distribution expenses primarily consisted of freight costs necessary to bring the products to the port of destination designated by our customers, boarding expenses for the loading of our iron ore products at Kuantan Port, consulting fee paid for obtaining PRC iron ore market information at the early stage of our Group's development and some other miscellaneous expenses mainly included quality checks and testing expenses incurred for our iron ore products. The following table sets forth the breakdown of our selling and distribution expenses for the periods indicated:

	<b>For the period from Incorporation Date of 23 August 2010 to 31 December 2010</b>		<b>For the year ended 31 December 2011</b>		<b>For the year ended 31 December 2012</b>	
	<i>USD'000</i>	%	<i>USD'000</i>	%	<i>USD'000</i>	%
Freight costs	—	—	2,869	73.8	3,439	74.1
Boarding expenses	392	73.3	828	21.3	1,055	22.7
Consulting fee	—	—	17	0.4	—	—
Other expenses	143	26.7	174	4.5	147	3.2
<b>Total</b>	<u>535</u>	<u>100.0</u>	<u>3,888</u>	<u>100.0</u>	<u>4,641</u>	<u>100.0</u>

### Administrative expenses

Administrative expenses mainly consisted of employee benefits, administration fee, mining consulting fee, professional fees, traveling expenses, listing expenses and other miscellaneous expenses. The following table sets forth the breakdown of our administrative expenses for the periods indicated.

	<b>For the period from Incorporation Date of 23 August 2010 to 31 December 2010</b>		<b>For the year ended 31 December 2011</b>		<b>For the year ended 31 December 2012</b>	
	<i>USD'000</i>	%	<i>USD'000</i>	%	<i>USD'000</i>	%
Employee benefits	41	19.0	244	12.5	416	14.5
Administration fee	136	63.3	401	20.5	—	—
Mining consulting fee	—	—	452	23.1	—	—
Listing expenses	—	—	140	7.2	1,705	59.6
Guarantee fee of mining rights	—	—	92	4.7	—	—
Professional fees	2	0.9	71	3.6	72	2.5
Rental expenses	11	5.1	64	3.3	46	1.6
Traveling expenses	15	7.0	63	3.2	96	3.4
Transportation expenses	9	4.2	65	3.3	80	2.8
Other expenses	1	0.5	363	18.6	447	15.6
<b>Total</b>	<u>215</u>	<u>100.0</u>	<u>1,955</u>	<u>100.0</u>	<u>2,862</u>	<u>100.0</u>

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Employee benefits mainly represented salaries and welfare incurred by us for our employees. During the Track Record Period, the Group relied on advances/loans from Chengdu Hande, a related party, to finance our Group's capital expenditure. Through contractual arrangement, our Group appointed Chengdu Hande to execute contracts, receive and make payments on behalf of us in the PRC during the Track Record Period. As advised by the PRC Legal Advisers, the aforesaid arrangement did not violate any relevant PRC laws and regulations. In exchange for the aforementioned services, administration fee was paid to Chengdu Hande at the end of the year. Such fee was agreed between our Group and Chengdu Hande through arm's length negotiation, which was calculated based on an agreed rate of our Group's revenue. Such arrangement ceased since 1 January 2012 and no administration fee would be payable to Chengdu Hande. Listing expenses mainly included fees paid to various professionals for audit, financial advisory, legal and other professional services in relation to the preparation of the Listing.

The total estimated listing expenses charged or to be charged to the income statement of the Company would be USD2.9 million, of which USD1.8 million has been incurred and recognised in the Track Record Period while a further USD0.4 million has been incurred up to 30 April 2013 but not reflected in the Track Record Period. Total listing expenses of USD3.1 million in relation to the issue of new shares would be capitalised, of which USD0.5 million has been reflected in the Track Record Period while a further USD0.2 million has been capitalised up to 30 April 2013 but not reflected in the Track Record Period. Our Directors would like to emphasise that such cost is a current estimate for reference only, and the final amount to be recognised to the statement of comprehensive income of our Group or to be capitalized is subject to adjustment based on audit and the then changes in variables and assumptions. Guarantee fee of mining rights was paid to Gema Impak based on a fixed amount per tonne, representing the management fee to Gema Impak in respect of some minor operation expenses of Project Ibam to be borne by us. Other expenses mainly represented office expenses, utilities expenses, entertainment expenses and renovation expenses etc.

### **Other expenses**

Other expenses mainly consisted of exchange loss, administration fees charged by banks in respect of letter of credit and other miscellaneous expenses.

### **Finance costs**

We incurred finance costs on our interest-bearing bank and other borrowings drawn to finance the purchases of motor vehicles.

### **Income tax expenses**

Income tax expense consisted of provisions for current and deferred income tax expense.

#### *Cayman Island profit tax*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and the Cayman Islands currently levy no taxes on corporations based upon profits.

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### *BVI profit tax*

The subsidiaries of our Company incorporated in the BVI under the BVI Business Companies Act 2004 of the British Virgin Islands is exempted from payment of BVI income tax.

### *Malaysia profit tax*

The income tax expense of the Track Record Period represents the Malaysia profit tax, which is provided at the maximum tax rate of 25% on the estimated assessable profits arising in Malaysia during the year.

### *Hong Kong profit tax*

The subsidiary of our Company incorporated in Hong Kong is subject to Hong Kong profits tax, which is provided at the rate of 16.5% on the estimated assessable profits during the Track Record Period.

### **Discontinued operations**

Discontinued operations represented the mining operations of Besol Mine and Talam Mine that have been discontinued since March 2011. In May 2008, Capture Advance acquired a 20-year exclusive mining rights of Besol Mine pursuant to the Besol Mining Rights Agreement; and in January 2009, Capture Advance acquired the exclusive mining rights of the Talam Mine pursuant to the Talam Mining Rights Agreement. On 22 December 2010, our Group acquired 100% equity interest in Capture Advance. Although the business operation of the Besol Mine was profitable, we decided to dispose the interests in both the Besol Mine and Talam Mine in March 2011 pursuant to the Asset Transfer Agreement, and reallocated our resource to the development of Project Ibam which commenced after the development of the Besol Mine and Talam Mine with a view that Besol Mine was relatively far from coastal port and Talam Mine was unfavorable to beneficiation considering the low iron grade and high level of impurities.

The results of the operations of Besol Mine and Talam Mine have been included in our combined statements of comprehensive income during the Track Record Period as a separate line item headed “Profit for the period/year from discontinued operations”.

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The following table sets forth the results of the discontinued operations for the periods indicated.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Revenue	—	7,117	—
Cost of sales	—	<u>(4,272)</u>	—
<b>Gross profit</b>	—	2,845	—
Expenses	—	<u>(1,565)</u>	—
<b>Profits before tax from the discontinued operation</b>	—	1,280	—
Income tax	—	<u>(160)</u>	—
<b>Profit for the year from the discontinued operation</b>	<u>—</u>	<u>1,120</u>	<u>—</u>

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### RESULTS OF OPERATIONS

The following table sets forth our combined income statement during the Track Record Period which is derived from the Accountants' Report attached as Appendix I to this prospectus.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>Continuing operations</b>			
Revenue	6,865	27,220	54,323
Cost of sales	<u>(6,201)</u>	<u>(19,570)</u>	<u>(32,247)</u>
<b>Gross profit</b>	664	7,650	22,076
Other income	—	169	4
Selling and distribution expenses	(535)	(3,888)	(4,641)
Administrative expenses	(215)	(1,955)	(2,862)
Other expenses	(30)	(92)	(169)
Finance costs	<u>—</u>	<u>(33)</u>	<u>(51)</u>
<b>Profit/(loss) before tax from continuing operations</b>	(116)	1,851	14,357
Income tax expense	<u>—</u>	<u>(651)</u>	<u>(3,953)</u>
<b>Profit/(loss) for the year/period from continuing operations</b>	(116)	1,200	10,404
<b>Discontinued operations</b>			
Profit for the year/period from discontinued operations	<u>—</u>	<u>1,120</u>	<u>—</u>
<b>Profit/(loss) for the year/period</b>	(116)	2,320	10,404
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	—	(833)	858
Other comprehensive income for the year/period	<u>—</u>	<u>(833)</u>	<u>858</u>
<b>Total comprehensive income for the year/period, net of tax</b>	<u>(116)</u>	<u>1,487</u>	<u>11,262</u>
<b>Profit/(loss) for the year/period attributable to:</b>			
Owners of the parent	(116)	2,407	10,419
Non-controlling interest	<u>—</u>	<u>(87)</u>	<u>(15)</u>
	<u>(116)</u>	<u>2,320</u>	<u>10,404</u>

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### Sensitivity analysis

The following analysis shows how changes in average selling price of iron ore products will impact our Group's net profit/(loss) during the Track Record Period.

*For the period from the Incorporation Date of 23 August to 31 December 2010*

Our base case scenario is calculated using a historical net loss of USD116,000 for the period from the Incorporation Date of 23 August 2010 to 31 December 2010:

Percentage increase/(decrease) in average selling price %	Net profit/(loss) for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 USD'000	Percentage increase/(decrease) in net loss for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 %
50%	3,317	(2,959%)
40%	2,631	(2,368%)
30%	1,944	(1,776%)
20%	1,257	(1,184%)
10%	571	(592%)
2%	—	(100%)
0%	(116)	0%
(10%)	(802)	591%
(20%)	(1,489)	1,184%
(30%)	(2,175)	1,775%
(40%)	(2,862)	2,367%
(50%)	(3,548)	2,959%

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*For the year ended 31 December 2011*

Our base case scenario is calculated using a historical net profit of USD2,320,000 for the year ended 31 December 2011:

Percentage increase/(decrease) in average selling price %	Net profit/(loss) for the year ended 31 December 2011 USD'000	Percentage increase/(decrease) in net profit for the year ended 31 December 2011 %
50%	19,356	734%
40%	15,948	587%
30%	12,541	441%
20%	9,134	294%
10%	5,727	147%
0%	2,320	0%
(7%)	—	(100%)
(10%)	(1,087)	(147%)
(20%)	(4,494)	(294%)
(30%)	(7,902)	(441%)
(40%)	(11,309)	(587%)
(50%)	(14,716)	(734%)

*For the year ended 31 December 2012*

Our base case scenario is calculated using a historical net profit of USD10,404,000 for the year ended 31 December 2012:

Percentage increase/(decrease) in average selling price %	Net profit/(loss) for the year ended 31 December 2012 USD'000	Percentage increase/(decrease) in net profit for the year ended 31 December 2012 %
50%	35,396	240%
40%	30,398	192%
30%	25,399	144%
20%	20,401	96%
10%	15,402	48%
0%	10,404	0%
(10%)	5,405	(48%)
(20%)	406	(96%)
(21%)	—	(100%)
(30%)	(4,592)	(144%)
(40%)	(9,591)	(192%)
(50%)	(14,589)	(240%)

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### Year ended 31 December 2012 compared to the year ended 31 December 2011

#### *Revenue*

Revenue increased by USD27.1 million, or 99.6%, from USD27.2 million in 2011 to USD54.3 million in 2012. The increase was mainly due to the increase in total sales volume from 238,527 tonnes to 464,096 tonnes when additional beneficiation lines were installed in Ibam Mine and Esperance Mine during the year of 2012, bringing the total of beneficiation lines in operation from two as at 31 December 2011 to five as at 31 December 2012. In addition, the Cooperation Agreement in respect of Project Esperance with Esperance Mining was only entered into in June 2011 such that the effect was not fully reflected during the year ended 31 December 2011. Sales volume of iron ore products under Project Esperance increased from 7,800 tonnes for the year ended 31 December 2011 to 135,868 tonnes for the year ended 31 December 2012. Sales volume from our Ibam Mine also increased significantly from 115,393 tonnes in 2011 to 178,168 tonnes in 2012, representing a growth of 54.4%. During the year ended 31 December 2012, our iron ore products sold were generally of iron ore grade of over 60%. However, the growth in sales is partially offset by the decrease in average selling price per tonne on dry basis of iron ore products from USD122.3 in 2011 to USD116.6 in 2012 as a result of the drop in international iron ore prices in the third quarter of 2012.

#### *Cost of sales*

Cost of sales increased by USD12.6 million, or 64.3%, from USD19.6 million in 2011 to USD32.2 million in 2012. The increase was mainly due to the expansion of the production scale in Ibam Mine, thereby resulting in higher service fees to both Mining Contractor and processing contractors and Mining Fee. During the year ended 31 December 2012, our Group has also purchased from Esperance Mining USD1.9 million iron ore products pursuant to the Cooperation Agreement as compared to nil for the year ended 31 December 2011. Others also increased significantly from the increase in staff cost incurred during the process of beneficiation to support the expansion of production scale in Ibam Mine and Esperance Mine during the year ended 31 December 2012. Rendering of services increased by USD4.1 million in 2012, as a result of the expansion of production scale in Project Esperance after the installation of additional beneficiation line during the year ended 31 December 2012.

#### *Gross profit*

Our gross profit increased significantly by USD14.4 million, or 187.0%, from USD7.7 million to USD22.1 million. The overall gross profit margin jumped from 28.1% for the year ended 31 December 2011 to 40.6% for the year ended 31 December 2012. Such increase was largely caused by the change in sales mix with a larger proportion of sale from our self-production activities in 2012, which carries higher gross profit margin than the sale from trading activities. The proportion of self-production activities in our sales mix increased from 52.3% of total revenue for the year ended 31 December 2011 to 61.7% for the year ended 31 December 2012. Since the installation of additional beneficiation lines, the sales volume from our self-production activities increased from 123,193 tonnes to 314,036 tonnes. Gross profit margin from our self-production activities in Project Ibam and



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Project Esperance increased significantly from 39.6% for the year ended 31 December 2011 to 52.8% for the year ended 31 December 2012 because our number of beneficiation lines in operation increased from two in 2011 to five in 2012 which lead to cost advantage under the economies of scale. Gross profit margin for the year ended 31 December 2012 of 62.0% from the sale of iron ore products produced in Project Esperance is higher when compared to 46.1% of that from Project Ibam as a result of the lower level of cost incurred. Pursuant to the Cooperation Agreement, we were obligated to install beneficiation facilities at the Esperance Mine to produce iron ore concentrates while Esperance Mining was obligated to supply crude iron ores from the Esperance Mine to us for beneficiation. As such, the cost of exploration, mining and extraction were borne directly by Esperance Mining. There were also no mining fees in respect of the Esperance Mine imposed on us by the registered holder of the mining lease.

In addition, Esperance Mining would sell the iron ore products to our Group at a price which is substantially lower than that of international iron ore market price because of the following factors:

- (i) the existing supply of iron ore products by Esperance Mining is relatively low and no sales network has been established by Esperance Mining with end-customers in the PRC, it is unlikely for Esperance Mining to sell its iron ore products to PRC market directly at international iron ore market price. Therefore, Esperance Mining can only either sell its iron ores products to our Group or at local market in Kuantan at local market price;
- (ii) in general, the local market price at Kuantan market is lower than international iron ore market price;
- (iii) according to the Antaike Report, over 99% of total Malaysia iron ore products are exported to the PRC as the local iron ore product market at Kuantan is comparatively not well-developed for large scale iron ore trading activities; and
- (iv) as our Group (a) has established a close and long-term business relationship with Esperance Mining; (b) has a proven track record in supplying iron ore products to end-customers in the PRC on a regular basis; (c) is willing to offer favourable payment terms, including prepayments, to Esperance Mining from time to time; (d) our Group is the only party which carries out the beneficiation of the iron ore products; and (e) is responsible to handle all logistic arrangement, and Esperance Mining does not need to bear any transportation cost or other transaction fee in relation to the sales of the iron ore products to our Group.

However, upon the termination of the Cooperation Agreement on 10 April 2013, our Group's overall gross profit margin may drop if we are unable to improve the gross profit margin from the reduced average production cost under the economies of scale as a result of the expanding self-production activities in Project Ibam going forward.

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### *Selling and distribution expenses*

Selling and distribution expenses increased by USD0.7 million, or 17.9%, from USD3.9 million in 2011 to USD4.6 million in 2012. The increase was a result of the expansion of production scale in Project Ibam. However, the extent of increase in selling and distribution expenses is smaller than that in revenue because more sales were made on FOB basis during the year ended 31 December 2012, according to which our customers have to bear all shipping costs while more sales were made on CFR basis during the year ended 31 December 2011, according to which our Group is responsible for the costs and freight necessary to bring the goods to the port of destination.

### *Administrative expenses*

Administrative expenses increased from USD2.0 million for the year ended 31 December 2011 to USD2.9 million for the year ended 31 December 2012, which was mainly contributed by the increase in listing expenses from USD0.1 million to USD1.7 million in the preparation of the Listing.

### *Income tax expense*

Our Group's income tax expense amounted to USD4.0 million for the year ended 31 December 2012, representing a 471.4% increase from USD0.7 million for the year ended 31 December 2011. Our subsidiary, Bright Mining, was incorporated in Hong Kong in April 2012. The profit generated by Bright Mining gives rise to tax liabilities in Hong Kong. Our effective tax rates for the year ended 31 December 2012 were 27.5%, which approximates the maximum Malaysia profit tax rate of 25%.

### *Profit from discontinued operations*

We recorded USD1.1 million profit from discontinued operations for the year ended 31 December 2011 as compared to nil for the year ended 31 December 2012. In order to focus our development on Project Ibam, we decided to dispose the interests in both the Besol Mine and the Talam Mine pursuant to the Asset Transfer Agreement.

### *Profit for the year*

As a result of the foregoing, we recorded profit of USD10.4 million for the year ended 31 December 2012, representing a 352.2% increment from net profit of USD2.3 million for the same period in 2011. Net profit margin increased from 8.5% for the year ended 31 December 2011 to 19.2% for the year ended 31 December 2012 because we were able to better control our production cost as the proportion of self-production activities increased.

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### **Year ended 31 December 2011 compared to the period from the Incorporation Date of 23 August 2010 to 31 December 2010**

#### *Revenue*

Revenue increased by USD20.3 million, or 294.2%, from USD6.9 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD27.2 million for the year ended 31 December 2011. Such increase was mainly contributed by (i) increase in sales volume of trading iron ore products from 81,950 tonnes for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to 115,334 tonnes for the year ended 31 December 2011; (ii) the fact that we only recorded the sale of the first batch of iron ore products from Ibam Mine in January 2011 and entered into the Cooperation Agreement in respect of Project Esperance with Esperance Mining in June 2011 respectively, and sales volume of iron ore products from Ibam Mine and Esperance Mine amounted to 123,193 tonnes for the year ended 31 December 2011 as compared to nil for the period from the Incorporation Date of 23 August 2010 to 31 December 2010; and (iii) our average selling price per tonne on dry basis of iron ore products increased by USD32.2, or 35.7%, from USD90.1 for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD122.3 for the year ended 31 December 2011.

#### *Cost of sales*

Cost of sales increased by USD13.4 million, or 216.1%, from USD6.2 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD19.6 million for the year ended 31 December 2011, which was in line with our growth in revenue. Such significant increase was contributed by the commencement of our self-production activities and the growth in our trading activities. Cost of sales for our self-production activities comprise largely (i) service fees of USD0.2 million service fees to our Mining Contractor for the provision of mining works; (ii) service fees of USD5.5 million to our processing contractors for the provision of simple crushing and beneficiation works; and (iii) Mining Fee of USD1.5 million entitled by Gema Impak pursuant to the Mining Agreement. Among others in our self-production activities include processing cost for Project Esperance of USD0.2 million, our employee benefits of USD0.1 million, depreciation and diesel fuel costs of USD0.3 million. The increase in our cost of sales was further widened by the growth in our trading activities as the sales volume increased from 81,950 tonnes during the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to 115,334 tonnes during the year ended 31 December 2011.

#### *Gross profit*

As a result of the foregoing, our gross profit increased by USD7.0 million, or 1,000.0%, from USD0.7 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD7.7 million for the year ended 31 December 2011. The gross profit margin increased to 28.1% for the year ended 31 December 2011 as compared to that of 9.7% for the period from the Incorporation Date of 23 August 2010 to 31 December 2010. Such increase was mainly a result of the 35.7% rise in average selling price and the decreasing reliance on trading of iron ore products from 100% revenue contribution from trading activities for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to 46.7% revenue contribution from trading activities for the year

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ended 31 December 2011. During the year ended 31 December 2011, our Group recognised revenue from our self-production activities carried out in Project Ibam and Project Esperance, which enabled us to better control our production cost. Therefore, we were able to obtain a higher gross profit margin of 39.6% for our self-production activities as compared to merely 15.8% for trading activities.

### *Selling and distribution expenses*

Selling and distribution expenses increased by USD3.4 million, or 680.0%, from USD0.5 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD3.9 million for the year ended 31 December 2011. Such increase was mainly due to increase in freight costs incurred by us to deliver our iron ore products from our mine sites to our Kuantan Warehouse, which was in line with the increased sales volume of our iron ore products for the year ended 31 December 2011. We generally sell iron ore products on CFR basis and we generally recoup the freight costs by adding the costs to our sales prices.

### *Administrative expenses*

Administrative expenses increased by USD1.8 million, or 900.0%, from USD0.2 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 to USD2.0 million for the year ended 31 December 2011. Increase in administrative expenses is mainly contributed by (i) the increase in employee benefits as more employees were employed for the expanding operation of Project Ibam and Project Esperance; (ii) full-year effect of administration fee paid to Chengdu Hande in 2011; (iii) mining consulting fee incurred on mining and mining technicians for Project Ibam; (iv) IPO expenses incurred in the preparation of the Listing; and (v) guarantee fee of mining rights paid to Gema Impak for Project Ibam since the commercial operation of Project Ibam.

### *Income tax expenses*

Income tax expense consisted of provisions for current and deferred income tax expense. No income tax expense was provided for the period from the Incorporation Date of 23 August 2010 to 31 December 2010 in the absence of assessable profits. During the year ended 31 December 2011, our Group's income tax expense amounted to USD0.7 million. Our effective tax rates for the year ended 31 December 2011 was 35.2%, which is higher than the standard rate of 25% in Malaysia because of a total of USD0.2 million of tax losses not recognized, income not subject to tax and expenses not deductible for tax purpose.

### *Profit from discontinued operations*

We recorded profit of USD1.1 million from discontinued operations of Besol Mine and Talam Mine for the year ended 31 December 2011 as compared to nil for the period from the Incorporation Date of 23 August 2010 to ended 31 December 2010. The total sales volume of iron ore produced from Besol Mine and Talam Mine was 64,244 tonnes and the average selling price of iron ore products was USD118.1 per tonne on dry basis for the year ended 31 December 2011.

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The results of Besol Mine and Talam Mine were not combined into our Group's results until 22 December 2010, on which the shares transfer agreement was entered into between our Group and Chengdu Hande. During the period from the acquisition date of 22 December 2010 to 31 December 2010, there were no profits and losses from generated Besol Mine and Talam Mine.

During the year ended 31 December 2011, cost of sales mainly represented the mining fees paid to their respective owners, processing costs, employee benefits and transportation costs. We recorded gross profit from the discontinued operations of Besol Mine and Talam Mine of USD2.8 million representing a gross profit margin of 40.0%, for the year ended 31 December 2011. Expenses mainly represented (i) freight fee and boarding expenses; (ii) employee benefits; (iii) administration fee paid to Chengdu Hande; and (iv) mining consulting fees.

### *Profit/(loss) for the period/year*

As a result of foregoing, we recorded profit for the year of USD2.3 million for the year ended 31 December 2011 as compared to the loss for the period of USD0.1 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010.

## DESCRIPTION OF SELECTED COMBINED STATEMENT OF FINANCIAL POSITION ITEMS

The following table sets forth certain combined statements of financial position items as at each of the dates indicated is derived from the Accountants' Report set out in Appendix I to this prospectus.

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Property, plant and equipment	992	4,741	10,203
Other intangible assets	20,030	16,579	17,223
Goodwill	8,755	8,512	8,838
Inventories	1,638	222	1,282
Prepayment, deposits and other receivables	661	572	1,838
Trade receivables	—	—	755
Provisions	—	(310)	(260)
Interest-bearing loans and borrowings	(298)	(370)	(620)
Trade payables	(81)	(210)	(1,818)
Other payables and accruals	(13,577)	(11,940)	(1,572)
Due to related parties	(15,201)	(12,201)	(2,430)

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### Property, plant and equipment

The following table sets forth the breakdown of our property, plant and equipment as at each of the dates indicated:

	<b>Mines</b>		<b>Construction</b>			
	<b>Properties</b>	<b>Machinery</b>	<b>Vehicles</b>	<b>Others</b>	<b>in progress</b>	<b>Total</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>At 23 August 2010</b>						
Acquisition of a subsidiary	3	622	361	6	—	992
<b>At 31 December 2010</b>	<u>3</u>	<u>622</u>	<u>361</u>	<u>6</u>	<u>—</u>	<u>992</u>
Additions	1,245	2,790	69	—	66	4,170
Depreciation	(9)	(215)	(111)	(4)	—	(339)
Exchange realignment	(15)	(56)	(9)	(1)	(1)	(82)
<b>At 31 December 2011</b>	<u>1,224</u>	<u>3,141</u>	<u>310</u>	<u>1</u>	<u>65</u>	<u>4,741</u>
Additions	94	1,553	26	1	4,443	6,117
Disposals	(70)	—	(90)	—	—	(160)
Transfers	176	3,590	—	—	(3,766)	—
Depreciation	(35)	(701)	(48)	(1)	—	(785)
Exchange realignment	49	213	12	—	16	290
<b>At 31 December 2012</b>	<u>1,438</u>	<u>7,796</u>	<u>210</u>	<u>1</u>	<u>758</u>	<u>10,203</u>

Our property, plant and equipment consisted of mines properties, machinery, vehicles, others, and construction in progress. Our property, plant and equipment increased significantly by USD3.7 million or 370.0% from USD1.0 million as at 31 December 2010 to USD4.7 million as at 31 December 2011. Such increase was mainly driven by our efforts to expand our mining and processing capacity through installation of mining properties and machinery in 2011. During the year ended 31 December 2011, we purchased and installed one beneficiation line each at Ibam Mine and Esperance Mine. Our property, plant and equipment further increased to USD10.2 million as at 31 December 2012 when a total of four additional beneficiation lines were purchased and installed at Ibam Mine and Esperance Mine during the year ended 31 December 2012. The total number of beneficiation lines operating at Ibam Mine and Esperance Mine increased from two as at 31 December 2011 to five as at 31 December 2012 while the remaining one beneficiation line completed its tuning process for commercial operation in the first quarter of 2013. The two beneficiation lines at Esperance Mine are owned by our Group. Consistent with our Group's accounting policy, the two beneficiation lines are accounted for as fixed assets under the category of equipment and would be depreciated by the straight-line method over its useful life.

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### Other intangible assets

Other intangible assets represented principally mining rights and reserves. The following table sets forth the breakdown of our exploration and mining rights as at each of the dates indicated:

	<i>USD'000</i>
<b>Cost</b>	
At 23 August 2010	—
Acquisition of subsidiaries	20,030
Exchange realignment	—
At 31 December 2010	20,030
Disposal	(3,700)
Additions	732
Exchange realignment	(481)
At 31 December 2011	<u>16,581</u>
Additions	17
Exchange realignment	669
At 31 December 2012	<u>17,267</u>
<b>Accumulated amortisation</b>	
At 23 August 2010	—
At 31 December 2010	—
Recognised during the year	12
Disposal	(10)
At 31 December 2011	<u>2</u>
Recognised during the year	42
At 31 December 2012	<u>44</u>
<b>Net carrying amount</b>	
At 31 December 2010	<u>20,030</u>
At 31 December 2011	<u>16,579</u>
At 31 December 2012	<u>17,223</u>

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Mining rights and reserves include the cost of acquiring mining licences and exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. Pacific Mining entered into a Mining Agreement with Gema Impak on 26 October 2009. Pursuant to the agreement, the registered holder of the Mining Lease, Gema Impak, granted the rights to explore, mine, extract and sell of iron ore products from Ibam Mine to Pacific Mining.

Our other tangible assets during the Track Record Period mainly represented the mining rights and reserves owned by our Group in respect of the Besol Mine, Talam Mine and Ibam Mine. Our other tangible assets decreased from USD20.0 million as at 31 December 2010 to USD16.6 million as at 31 December 2011 as a result of the disposal of Besol Mine and Talam Mine. Our other intangible assets then remained stable at USD17.2 million as at 31 December 2012.

In May 2008 and January 2009, our Group acquired from an Independent Third Party, the exclusive mining rights of the Besol Mine and the Talam Mine respectively. However, after due consideration on economical viability, our management decided not to continue with the operations of both mines because Besol Mine was located far away from the coastal port while Talam Mine contained iron ore with low iron grade and high level of impurities. In March 2011, we decided to dispose the interests in the Besol Mine and Talam Mine. As such, the mining rights and reserves in respect of Besol Mine and Talam Mine were no longer combined into our statement of position as at 31 December 2011.

### Goodwill

On 26 December 2010, the Group acquired (i) 100% equity interest in Capture Advance and (ii) 51% equity interest in Pacific Mining. The fair value of the identifiable assets and liabilities of Capture Advance and Pacific Mining as at the date of acquisition were set forth in the following table:

	<b>As at 26 December 2010</b>
	<i>USD'000</i>
<b>Assets</b>	
Cash and cash equivalents	551
Inventories	493
Prepayments, deposits and other receivables	1,165
Deferred tax assets	249
Property, plant and equipment	992
Other intangible assets	<u>20,030</u>
	<u>23,480</u>



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**As at**  
**26 December 2010**  
*USD'000*

<b>Liabilities</b>	
Trade payables	(41)
Other payables and accruals	(153)
Interest-bearing bank and other borrowings	(297)
Due to related parties	(6,939)
Deferred tax liabilities	<u>(4,095)</u>
	<u>(11,525)</u>
Total identifiable net assets at fair value	11,955
Non-controlling interests	130
Goodwill arising on acquisition	<u>8,755</u>
Purchase consideration <sup>(Note)</sup>	<u>20,840</u>

Note: Out of the total consideration of USD20.8 million, USD8.0 million was payable to Chengdu Hande and the remaining USD12.8 million was payable to third parties.

The purchase consideration of USD20.8 million was mutually agreed in the price negotiation process, during which our Group had taken into account the preliminary geographical survey undertaken by a Chinese prospecting company in respect of Ibam Mine which indicates a mineral resource range of 80-100 million tonnes of iron ore resources. The acquisition asset is mainly represented by other intangible assets of USD20.0 million, which include mining rights and reserves in respect of Ibam Mine held by Pacific Mining, who entered into the Mining Agreement with Gema Impak, the registered holder of the Mining Lease. Pursuant to the agreement, Gema Impak transferred the rights of mining, extracting and sale of iron ore in Ibam Mine to Pacific Mining. Other payables of the acquired liabilities include mainly amounts due to Chengdu Hande.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We engaged an independent valuer to undertake valuation exercises based on which no impairment for goodwill is required as at 31 December 2010, 2011 and 2012. Our goodwill remained at USD8.8 million, USD8.5 million and USD8.8 million as at 31 December 2010, 31 December 2011 and 31 December 2012, respectively.

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### Inventories

During Track Record Period, our inventories consisted of raw materials of consumables, work in progress and finished goods. The following table sets forth our balances of inventory as at each of the dates indicated:

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Raw materials	—	—	65
Work in progress	—	53	—
Finished goods			
— Self-production	1,638	169	1,217
— Trading activities	—	—	—
	<u>1,638</u>	<u>222</u>	<u>1,282</u>

The following table sets forth a breakdown of our Group's finished goods by iron grades as at each of the dates indicated:

<b>Iron content</b>	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
55%	1,008	—	—
58%	630	—	—
60%	—	—	1,217
63%	—	—	—
65%	—	169	—
	<u>1,638</u>	<u>169</u>	<u>1,217</u>

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
Inventory turnover days <sup>(1)</sup>	17.3 days	17.3 days	8.5 days

*Note:*

- (1) Inventories turnover days for the relevant year are calculated by dividing the average of the opening and closing balances of inventories for the relevant year by cost of sales and then multiplied by the number of days in the relevant period/year.

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During the Track Record Period, our Group maintained a low level of inventory due to strong demand for our iron ore products in the PRC. As such, our iron ore products are normally shipped to our customers shortly after they were delivered to our Kuantan Warehouse. As at 31 December 2010, our inventories amounted to USD1.6 million which represented the iron ore products produced from Ibam Mine and to be delivered to our customers in early 2011. Inventories as at 31 December 2011 decreased to USD0.2 million because our customers had large demand for our iron ore products. Our inventories increased to USD1.3 million as at 31 December 2012, which were principally finished goods to be delivered to our customers. Our inventory turnover days decreased to 8.5 days for the year ended 31 December 2012 because of the increasing demand of our iron ore products from our PRC customers. As at 5 February 2013, all of the inventories held by our Group as at 31 December 2012 have been subsequently sold.

### Prepayments, deposit and other receivables

Our prepayments, deposit and other receivables amounted to USD0.7 million, USD0.6 million and USD1.8 million as at 31 December 2010, 2011 and 2012 respectively. The balance mainly represented other receivables, deposits and prepayments and income tax receivables.

	As at 31 December		
	2010	2011	2012
	USD'000	USD'000	USD'000
Other receivables	14	83	647
Income tax receivable	4	7	11
Deposits and prepayments	<u>643</u>	<u>482</u>	<u>1,180</u>
	<u>661</u>	<u>572</u>	<u>1,838</u>

#### *Other receivables*

Other receivables amounted to USD0.6 million as at 31 December 2012, a 500.0% increase from USD0.1 million as at 31 December 2011. The balance comprised largely prepaid professional fees to various professionals for audit, financial advisory, legal and other professional services in the preparation of the Listing.

#### *Deposits and prepayments*

Deposits and prepayments amounted to USD0.6 million, USD0.5 million and USD1.2 million as at 31 December 2010, 2011 and 2012, respectively. The balance primarily consisted of deposits and prepayments made to our Mining Contractor to manage and carry out mining and rehabilitation works for Project Ibam, such amounts would be net off against any service fees incurred.

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### Trade receivables

Our Group's trading terms with our customers are mainly on credit, except for new customers, where payment in advance is normally required. Ageing analysis of our trade receivables as at 31 December 2010, 2011 and 2012 is as follows:

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Account receivables			
- Within 3 months	—	—	755

As at 31 December 2012, trade receivables of USD0.8 million were neither past due nor impaired.

	<b>For the period from</b>	<b>For the</b>	<b>For the</b>
	<b>the Incorporation Date</b>	<b>year ended</b>	<b>year ended</b>
	<b>of 23 August 2010 to</b>	<b>31 December</b>	<b>31 December</b>
	<b>31 December 2010</b>	<b>2011</b>	<b>2012</b>
Trade receivables turnover days <sup>(1)</sup>	—	—	2.5 days

*Note:*

- (1) Trade receivables turnover days for the relevant year/period are calculated by dividing the average of the opening and closing balances of trade receivables for the relevant year/period by revenue and then multiplied by the number of days in the relevant year/period.

As at 6 February 2013, all of our trade receivables as at 31 December 2012 have been subsequently settled.

### Provision

As at 31 December 2011 and 31 December 2012, our Group's provision represented provision for rehabilitation costs, which amounted to USD0.3 million and USD0.3 million, respectively. Our provision for rehabilitation works in relation to the future closure of the Ibam Mine including but not limited to the costs to be incurred in the restoration of tailing ponds constructed and the removal of the processing plants installed by our Group.

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Our rehabilitation provision consists mainly of two parts: (i) costs to be incurred for levelling ground in connection with the costs for equipment, personnel and related utility expenses; and (ii) costs to be incurred for purchasing palm seeds used to recover the vegetation on the ground. The discount rate used reflects the current market assessments of the time value of money and the risks specific to the provision. Changes in the estimated and actual rehabilitation costs will be added to, or deducted from, the cost of related assets in the current period.

The provision was made based on the best estimate for future expenditure to be made by our Group and was discounted to its net present value using a discount rate. The amounts provided in relation to the close-down, restoration and environmental clean up costs are reviewed at least annually based upon the facts and circumstances available at the time and the provisions are re-measured accordingly.

### Interest-bearing bank and other borrowings

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Current	60	163	233
Non-current	<u>238</u>	<u>207</u>	<u>387</u>
Total	<u><u>298</u></u>	<u><u>370</u></u>	<u><u>620</u></u>

Our Group had a total of USD0.3 million, USD0.4 million and USD0.6 million interest-bearing bank and other borrowings as at 31 December 2010, 2011 and 2012, representing the bank borrowings to finance the purchases of motor vehicles for use in the daily operation of Project Ibam and Project Esperance pursuant to certain hire purchase agreements.

### Trade payables

Our trade payables amounted to USD0.1 million, USD0.2 million and USD1.8 million as at 31 December 2010, 2011 and 2012, respectively. Our suppliers usually granted us a credit period of 60 days.

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
Trade payables turnover day <sup>(1)</sup>	0.9 days	2.7 days	11.5 days

*Note:*

- (1) The trade payable turnover day is calculated based on the average of the beginning and ending balance of trade payables for the year divided by cost of sales for the year, and multiplied by the number of days in the relevant period/year.

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We managed to maintain low trade payables turnover days throughout the Track Record Period which is within the general credit period granted to us by suppliers.

### Other payables and accruals

	<b>As at 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Other payables	12,989	10,235	1,141
Advances from customers	588	1,502	—
Accruals	—	161	359
Payroll and welfare payable	—	42	72
	<u>13,577</u>	<u>11,940</u>	<u>1,572</u>

#### *Other payables*

Our other payables are primarily represented by the consideration payables on the acquisitions of equity interest in Pacific Mining. In early December 2010, our Group reached an agreement after arm's length negotiations with Chengdu Hande, Ms. Ang and Mr. Cheah that the total consideration for acquisition of 100% equity interest in Pacific Mining by Chengdu Hande shall be USD16.3 million ("Total Consideration"), the settlement of which shall be by instalment payment. The parties aforementioned also agreed that upon our Group's acquisition of 51% equity interest in Pacific Mining from Chengdu Hande, the obligation of Chengdu Hande in respect of settling the Total Consideration shall be novated to our Group. The acquisitions would be completed in three phases. As at the Latest Practicable Date, the acquisitions of 100% equity interest in Pacific Mining were completed. Our other payables dropped from USD10.2 million as at 31 December 2011 to USD1.1 million as at 31 December 2012 mainly because the consideration payables was fully settled in 2012.

#### *Advances from customers*

Depending on the terms of the sale contract, some of our customers are required to pay a certain percentage of advances upon signing of the sale contract and before the shipment of iron ore products as a guarantee for the transaction. Our advance from customers increased from USD0.6 million as at 31 December 2010 to USD1.5 million as at 31 December 2011 as a result of advance received from a customer with which we entered into a long-term sale contract. Advances from customers decreased to nil as at 31 December 2012 largely because the iron ore products on which advances were received were delivered to the customers.

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### Due to related parties

Our Group had USD15.2 million, USD12.2 million and USD2.4 million due to related parties as at 31 December 2010, 2011 and 2012, respectively. The amounts were mainly due to Chengdu Hande and Palace Grace Ltd., a wholly-owned company by Mr. Li Dongming, who had financed our Group's early development and machinery procurement. The amounts were entirely non-trade in nature. On 6 August 2012, our Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande released and discharged our liability and obligation in respect of debts amounting to USD13.1 million as at 31 July 2012 which represents 100% of total outstanding amounts due to Chengdu Hande as at 31 July 2012. As at the Latest Practicable Date, the balance of USD2.4 million due to related parties as at 31 December 2012 were fully repaid through our Group's internally generated funds.

### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our working capital and capital expenditure principally through advances from a related party and internally generated cashflow. Our primary uses of funds include our operating expenses and purchases of property, plant and equipment.

### Combined statements of cash flows

The following table set forth selected cash flow data as at each of the dates indicated.

	<b>For the period from Incorporation Date of 23 August 2010 to 31 December 2010 <i>USD'000</i></b>	<b>For the year ended 31 December 2011 <i>USD'000</i></b>	<b>For the year ended 31 December 2012 <i>USD'000</i></b>
Net cash generated from operating activities	130	9,399	16,011
Net cash (used in)/from investing activities	551	(9,949)	(16,115)
Net cash generated from financing activities	<u>50</u>	<u>41</u>	<u>1,817</u>
Net increase/(decrease) in cash and cash equivalents	731	(509)	1,713
Net foreign exchange difference	—	(26)	(48)
Cash and cash equivalents at beginning of the year/period	<u>—</u>	<u>731</u>	<u>196</u>
Cash and cash equivalents at end of the year/period	<u><u>731</u></u>	<u><u>196</u></u>	<u><u>1,861</u></u>

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### *Net cash generated from operating activities*

Net cash generated from operating activities primarily consisted of profits before tax from both continuing and discontinued operations adjusted for depreciation of property, plant and equipment, amortization of other intangible asset and finance costs. Our Group derives its cash inflow from operating activities principally from the receipt of payments from the sale of iron ore products. Our Group's cash outflows from operations mainly include purchases of iron ore, payment of service fees to our contractors and staff costs.

For the year ended 31 December 2012, our net cash generated from operating activities was USD16.0 million, primarily due to the combined effect of (i) USD15.3 million operating cash inflows before movements in working capital; (ii) USD0.8 million cash outflows from the increase in trade receivables as a result of the increase in sales volume; (iii) USD1.1 million cash outflows from the increase in inventory; (iv) USD1.6 million cash inflows from the increase in trade payables; (v) USD1.3 million cash outflows from the decrease in other payables and accruals upon the settlement of the consideration payable in connection with the acquisition of 30% equity interest in Pacific Mining; and (vi) USD2.4 million cash inflows from increase in due to related parties.

For the year ended 31 December 2011, our net cash generated from operating activities was USD9.4 million, primarily due to the combined effect of (i) USD3.5 million operating cash inflows before movements in working capital; (ii) USD1.4 million cash inflows from decrease in inventories in response to the growing demand for iron ore products in Chinese market; (iii) USD7.4 million cash inflows from increase in trade and other payables arising from the acquisitions of equity interests in Pacific Mining; and (iv) USD3.0 million cash outflows from the decrease in due to related parties.

For the period from Incorporation Date of 23 August 2010 to 31 December 2010, our net cash generated from operating activities was USD0.1 million, primarily due to the combined effect of (i) USD0.1 million operating cash outflow before movements in working capital; (ii) USD1.4 million cash inflows from increase in other payables and accruals as a result of acquisitions of equity interests in Pacific Mining; and (iii) USD1.1 million cash outflows from increase in inventories.

### *Net cash (used in)/generated from investing activities*

For the year ended 31 December 2012, our net cash flows used in investing activities amounted to USD16.1 million, primarily due to the USD7.0 million purchase of property, plant and equipment to support our expansion of operations and USD9.1 million of instalment payment in respect of the acquisitions of equity interest in Pacific Mining.

For the year ended 31 December 2011, net cash used in investing activities was USD9.9 million, primarily due to the combined effect of (i) USD4.2 million purchase of property, plant and equipment; (ii) USD0.7 million purchase of other intangible assets, mainly represented by the exploration activities performed on the Ibam Mine; and (iii) USD5.0 million subsequent payment in respect of the acquisitions of equity interest in Pacific Mining.



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For the period from Incorporation Date of 23 August 2010 to 31 December 2010, net cash generated from investing activities was USD0.6 million, representing acquisition of subsidiaries, net of cash acquired.

### *Net cash generated from financing activities*

For the year ended 31 December 2012, our net cash generated from financing activities amounted to USD1.8 million, which is primarily represented by the USD1.7 million advances from a related party, Chengdu Hande, which will be fully settled prior to the Listing.

For the year ended 31 December 2011, net cash generated from financing activities was USD41,000, represented by proceeds from interest-bearing borrowings to finance our purchases of motor vehicles and interest payment.

For the period from Incorporation Date of 23 August 2010 to 31 December 2010, net cash generated from financing activities was USD0.1 million, represented by the proceeds from receiving capital.

### NET CURRENT LIABILITIES

The following table sets forth the breakdown of our net current liabilities as at each of the dates indicated:

	As at 31 December			As at
	2010	2011	2012	30 April
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
				<i>(unaudited)</i>
<b>Current assets</b>				
Inventories	1,638	222	1,282	1,631
Prepayments, deposits and other receivables	661	572	1,838	2,962
Trade receivables	—	—	755	1,291
Cash and cash equivalents	731	196	1,861	174
	<u>3,030</u>	<u>990</u>	<u>5,736</u>	<u>6,058</u>
<b>Current liabilities</b>				
Trade payables	(81)	(210)	(1,818)	(1,641)
Other payables and accrual	(13,577)	(11,940)	(1,572)	(3,304)
Interest-bearing loans and borrowings	(60)	(163)	(233)	(278)
Tax payable	—	(1,022)	(4,924)	(5,988)
Due to related parties	(15,201)	(12,201)	(2,430)	—
	<u>(28,919)</u>	<u>(25,536)</u>	<u>(10,977)</u>	<u>(11,211)</u>
Net current liabilities	<u>(25,889)</u>	<u>(24,546)</u>	<u>(5,241)</u>	<u>(5,153)</u>

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As at 31 December 2010, 2011 and 2012, the Group recorded net current liabilities of USD25.9 million, USD24.5 million and USD5.2 million, respectively.

During the Track Record Period, our Group's current assets mainly consisted of inventories, trade receivables, prepayments, deposits and other receivables and cash and cash equivalents. Our Group's current liabilities mainly consisted of trade payables, other payables and accrual, interest-bearing loans and borrowings, tax payable and amounts due to related parties.

The net current liabilities of the Group during the Track Record Period was mainly attributable to (i) other payables and accruals which consisted primarily of the consideration payables arising from the acquisitions of equity interest in Pacific Mining and (ii) amounts due to Chengdu Hande, who financed our Group's early development.

We have taken various measures to improve our Group's liquidity. On 6 August 2012, our Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged our liability and obligation in respect of debts amounting to USD13.1 million as at 31 July 2012. On the same date, our Group also signed a confirmation letter with our creditors in respect of the consideration of acquisition of the final 30% equity interest in Pacific Mining to confirm that the remaining consideration payable of USD4.5 million, out of the total consideration payable of USD5.5 million, will be settled in 2014. Our Group was also entitled to settle in advance. The said transfer of the final 30% equity interest has been completed and the remaining consideration payable of USD4.5 million has been fully repaid in December 2012. Therefore, our net current liabilities as at 31 December 2012 improved and dropped to USD5.2 million. During the Track Record Period, there was no default in payments by our Group. As at 30 April 2013, our net current liabilities amounted to USD5.2 million.

### CAPITAL EXPENDITURES

Capital expenditures are expenditures made for acquisition of exploration and mining rights of Besol Mine, Talam Mine and Ibam Mine, the acquisition or upgrade of property, plant and equipment. The following table sets forth our capital expenditures as at each of the dates indicated:

	<b>For the period from the Incorporation Date of 23 August 2010 to 31 December 2010</b>	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Property, plant and equipment	—	4,170	6,117
Exploration and mining rights	—	732	17
	<u>—</u>	<u>4,902</u>	<u>6,134</u>

For further details, please see the section headed "Business — Business strategies" in this prospectus for detail discussion of our future plans and the section headed "Future plans and use of proceeds" for our intended use of proceeds in this prospectus.

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We plan to fund our capital expenditures through cash generated from our operations, bank borrowings and the net proceeds from the Global Offering. However, the estimated amounts and items of capital expenditures may be subject to change depending on a number of factors, including the implementation of our business plan and the market conditions.

### INDEBTEDNESS

Our bank and other borrowings on each of the combined/consolidated statement of financial position dates are summarized as follows:

	As at 31 December			As at
	2010	2011	2012	30 April
	USD'000	USD'000	USD'000	2013
				USD'000
				(unaudited)
Current	60	163	233	278
Non-current	<u>238</u>	<u>207</u>	<u>387</u>	<u>409</u>
Total borrowings	<u>298</u>	<u>370</u>	<u>620</u>	<u>687</u>

As at 31 December 2010, 2011 and 2012, the above bank and other borrowings were secured by the pledge of vehicle registration card and machines. We did not have, at the close of business on 30 April 2013, any loan capital or debt securities issued and outstanding or agreed to be issued, bank overdrafts, liabilities under acceptance or acceptable credits, debentures, charges, guarantees or other material contingent liabilities.

### WORKING CAPITAL

For the preparation of the working capital sufficiency analysis of our Group for the period from the date of this prospectus to 31 July 2014, it is assumed that the receipt of the net proceeds from the Global Offering in July 2013 and an estimated selling price of USD108 per tonne of iron ore products. According to the working capital sufficiency analysis for the period from the date of this prospectus to 31 July 2014, only if the market price of iron ore products drops to USD78.3 per tonne, our Group's cash and bank balance will turn to negative. As at the Latest Practicable Date, according to the Platts Index, the international prices for 62% iron ore products were USD111 per tonne. As confirmed by the management, the average selling price per tonne on dry basis of our Group is USD118 for May 2013.

Taking into account the financial resources available to our Group, including the internally generated funds and the estimated net proceeds from the Global Offering, and in the absence of unforeseen circumstances, our Directors are of the opinion that we have sufficient working capital to meet 125% of our present requirements, that is, at least the next 12 months from the date of this prospectus.

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### FINANCIAL RATIOS

The following table sets forth our current ratio and gearing ratios as at each of the dates indicated:

	As at 31 December		
	2010	2011	2012
Current ratio <sup>(1)</sup>	0.10	0.04	0.52
Gearing ratio <sup>(2)</sup>	0.9%	1.2%	1.5%
Return on assets <sup>(3)</sup>	N/A	7.5%	28.3%

Notes:

- (1) Current ratio is the ratio of total current assets to total current liabilities.
- (2) Gearing ratio is calculated by dividing total debts by total assets. Total debts include interest-bearing loans and borrowings.
- (3) Return on assets represent the net profit attributable to the owners of the parents as a percentage of the average of period-beginning balance and period-ending balance of total assets. The net profits used in the calculation included gross profits generated from sale of iron ore products from Project Esperance of nil, USD0.5 million and USD8.8 million for the period from the Incorporation Date of 23 August 2010 to 31 December 2010, for the year ended 31 December 2011 and for the year ended 31 December 2012 respectively.

### Current ratio

Our current ratios were 0.10 and 0.04 as at 31 December 2010 and 2011 respectively. Our current ratios were below the healthy level of 1 during the Track Record Period because our current liabilities exceeded our current assets. The decrease in current ratio was mainly contributed by the USD2.0 million drop in current assets from USD3.0 million as at 31 December 2010 to USD1.0 million as at 31 December 2011 and the USD3.4 million decrease in current liabilities from USD28.9 million as at 31 December 2010 to USD25.5 million as at 31 December 2011. The decrease in current assets was attributable to the drop in Inventories from USD1.6 million as at 31 December 2010 to USD0.2 million as at 31 December 2011 in response to the strong demand for iron ore products in the PRC market and the drop in cash and cash equivalent from USD0.7 million as at 31 December 2010 to USD0.2 million as at 31 December 2011. The decrease in current liabilities was due to (i) the USD3.0 million drop in amounts due to Chengdu Hande and (ii) the USD2.8 million drop in other payables primarily arising from the acquisitions of equity interest in Pacific Mining as a result of the partial settlement made, offset slightly by the USD0.9 million increase in advance from customers.

Our current ratio improved to 0.52 as at 31 December 2012 mainly due to the increase in current assets by USD4.7 million, represented mainly by (i) USD1.1 million increase in inventories; (ii) USD0.8 million increase in trade receivables, and (iii) USD1.7 million increase in cash and cash equivalents, in response to the expansion of our business operations when additional beneficiation lines were installed at Ibam Mine and Esperance Mine.

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### Gearing ratio

Our gearing ratios remained low at 0.9%, 1.2% and 1.5% as at 31 December 2010, 2011 and 2012, respectively because of a low debt level. As at 31 December 2010, 2011 and 2012, we only had interest-bearing bank and other borrowings of USD0.3 million, USD0.4 million and USD0.6 million to finance the purchases of motor vehicles.

### Return on assets

Our return on assets ratio showed an improving trend at 7.5% and 28.3% as at 31 December 2011 and 2012, respectively. Since we were loss-making for the period from the Incorporation Date of 23 August 2010 to 31 December 2010, there was no return on assets ratio available for comparison. The significant increase in return on assets from 7.5% in 2011 to 28.3% in 2012 was due to the growth in net profits attributable to the owners of the parent from USD2.4 million in 2011 to USD10.4 million in 2012 as a result of the increased production scale in Ibam Mine and Esperance Mine. Upon the termination of the Cooperation Agreement on 10 April 2013, it is expected that no revenue will be contributed from Project Esperance to our Group going forward. The return on assets ratio may remain stable in the future, since the reduced revenue from Project Esperance would be offset by the increased revenue contributed from Project Ibam according to our Group's expansion plan in the future.

## COMMITMENTS

### Capital commitment

The following table sets forth a breakdown of our capital commitments as at each of the dates indicated:

	As at 31 December		
	2010	2011	2012
	USD'000	USD'000	USD'000
Authorised, but not contracted for	<u>—</u>	<u>65,768</u>	<u>80,900</u>

Capital commitments authorized but not contracted for represented the expected amount to be used in materializing our expansion plans. Our production expansion plan is to expand our annual mining, crushing and beneficiation volume to reach 13.22 Mt, 4.45 Mt and 3.18 Mt, respectively, by the end of 2015. As such, we expect to commit USD80.9 million as at 31 December 2012 to mainly construct new iron ore beneficiation and crushing lines at the Ibam Mine and expand our mining activity at the Ibam Mine. We intend to fund our expansion plan with the revenue generated from our operations as well as the proceeds from the Global Offering.

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### Other commitments — mining fee

Our Group has agreed to pay a mining fee of RM40 (equivalent to USD12.6) per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance (pursuant to the Deed of Appointment) resulting from the mining activities at the Ibam Mine extracted from the mine.

### Other commitments — service fee

Pursuant to the Mining Sub-contract entered into between our Group and the Mining Contractor, a third party, which is effective as from 18 December 2010 and continues to be effective until the expiry of the Mining Lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the Mining Sub-contract, the Mining Sub-contract provides that the Mining Contractor shall mine and produce a minimum of 100 Kt of clean iron ores per month and shall crush the iron ore to a specified size before delivery to our Group. The service fee for the Mining Contractor is calculated based on the (i) volume of iron ore extracted multiplied by a fixed rate of RM36 (equivalent to USD11.3) per tonne; and (ii) volume of crushing works multiplied by a fixed rate of RM14 (equivalent to USD4.4) per tonne. In the event that our Group provides the Mining Contractor with the necessary machineries or equipment for its works, the fixed rate of payment shall be reduced to RM25 (equivalent to USD7.9) per tonne of iron ore extracted and RM10.2 (equivalent to USD3.2) per tonne of crushing works.

### Other commitments — monthly payable to original shareholders of Gema Impak

On 20 March 2013, Norhayati Binti Talib, Bazira Binti Bakar and Mohd (the “Original Shareholders”) and Pacific Mining have agreed to a contractual arrangement (the “Protection Enhancement Arrangement”). In addition, Pacific Mining shall pay the Monthly Payment, being RM50,000 in total per month, to the Original Shareholders since March 2013 and until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the Mining Agreement or any extension thereof. The amount of the Monthly Payment shall not be revised without consent from each of the Original Shareholders and Pacific Mining.

### Operating lease arrangements

#### As lessee

The following table sets forth our future minimum lease payments under non-cancellable operating leases falling due as at each of the dates indicated.

	As at 31 December		
	2010	2011	2012
	USD'000	USD'000	USD'000
Within one year	152	118	157
After 1 year but within 5 years	<u>137</u>	<u>21</u>	<u>275</u>
	<u>289</u>	<u>139</u>	<u>432</u>

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

### CONTINGENT LIABILITIES

During the Track Record Period, a subsidiary of our Group stored diesel at Ibam Mine without a valid scheduled controlled item permit, which is an offence under section 21 of Control of Suppliers Act 1961 of Malaysia. If convicted, the subsidiary of our Group shall be liable to a fine not exceeding RM250,000 and for subsequent offence, to a fine not exceeding RM500,000.

The subsidiary of our Group has obtained the scheduled controlled item permit which is valid from 5 June 2012 to 4 June 2013 in respect of Ibam Mine and has obtained the renewed permit on 12 June 2013 with validity period from 12 June 2013 to 11 June 2014. Our Directors, based on the advice of our legal advisers as to Malaysian laws upon their enquiry made with the relevant authority, are of the opinion that the relevant authority will not normally proceed to prosecute or fine the subsidiary, and accordingly our Group has not provided for any claim arising from such potential prosecution or fine.

### OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not enter into any material off-balance sheet transactions or arrangements.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's financial risk management policy seeks to ensure that adequate resources are available to manage risk and to create value for our shareholders. The Board regularly reviews these risks and they are summarized below.

#### *Credit risk*

Our Group trades only with recognised and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

The credit risk of our Group's other financial assets, which comprise cash and cash equivalents, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since our Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. At 31 December 2012, our Group had certain concentrations of credit risk as 100% of our Group's trade receivables were due from our Group's second largest customer.

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### *Liquidity risk*

Our Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations. Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and advances from related parties. For details of our maturity profile, please refer to note 35 headed "Financial risk management objectives and policies" as set out in Appendix I to this prospectus.

### *Foreign currency risk*

Our Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than our functional currency.

### *Fair values*

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of our Group's financial instruments approximated to their fair values at the end of each of the relevant periods.

## **DIVIDEND POLICY**

During the Track Record Period and up to the Latest Practicable Date, we had not declared or paid any dividend to our Shareholders.

Subject to below, it is our Company's dividend policy that 50% to 60% of our Group's profits available for distribution will be recommended for distribution in each financial year, commencing from the financial year ending 31 December 2013, in the form of interim dividend and final dividend. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our Group's results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Our Directors consider that our Company's dividend policy mentioned above will not materially affect our Group's working capital position in the coming years.

## **DISTRIBUTABLE RESERVES**

As of 31 December 2012, our Company has no reserve available for distribution to our equity holders.



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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2012. The unaudited pro forma net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of our financial position had the Global Offering been completed as of 31 December 2012 or any future dates.

	<b>Audited combined net tangible assets attributable to owners of the parent as at 31 December 2012 USD'000 (Note 1)</b>	<b>Audited combined net tangible assets attributable to owners of the parent as at 31 December 2012 HK\$'000 (Note 2)</b>	<b>Estimated net proceeds from the Global Offering HK\$'000 (Note 3)</b>	<b>Unaudited pro forma adjusted combined net tangible assets HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Offer Share HK\$ (Note 4)</b>
Based on Offer Price of HK\$1.30 per Offer Share	547	4,251	440,000	444,251	0.30
Based on Offer Price of HK\$1.60 per Offer Share	547	4,251	550,000	554,251	0.37

*Notes:*

1. The audited combined net tangible assets attributable to owners of the Company as at 31 December 2012 is based on the audited combined net tangible assets extracted from the Accountants' Report set out in Appendix I in this prospectus.
2. For the purpose of illustration, the exchange rate of USD1 = HK\$7.772.
3. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$1.30 per Offer Share and HK\$1.60 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted net tangible assets per Offer Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,500,000,000 Shares were in issue assuming that the Global Offering had been completed on 31 December 2012 but takes no account of the Over-allotment Option.

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## **FINANCIAL INFORMATION**

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### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Except as otherwise disclosed in this prospectus, our Directors confirm that, as at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

### **SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD**

On 20 March 2013, the Original Shareholders and Pacific Mining have agreed to the Nominee Agreement and the Protection Enhancement Arrangement. Please refer to Note 36 — Events after the Relevant Periods to the Accountants' Report set out in Appendix I to this prospectus for details.

On 10 April 2013, after reaching a mutual consent, a termination agreement was entered into between Esperance Mining Sdn. Bhd. and our Group to terminate the cooperation agreement with immediate effect and neither party shall be entitled to any penalties pursuant to such termination.

On 12 April 2013, the shareholders of our Group have conditionally approved the share option scheme. As of the Latest Practicable Date, no option has been granted or agreed to be granted under the aforesaid share option scheme.

On 9 June 2013, a deed of indemnity was entered into between the controlling shareholder and our Company, pursuant to the controlling shareholder has agreed to keep our Company and its subsidiaries indemnified from and against any loss, damages, claims and penalties incurred or suffered by our Company or its subsidiaries resulting from any non-compliance with matters incurred before the listing of our Company's shares.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that, up to the date of this prospectus there has been no material adverse change in our financial and trading position of the Group since 31 December 2012 and there has been no event since 31 December 2012 which would materially affect the information shown in the combined financial statements in the Accountants' Report set forth in Appendix I to this prospectus, in each case except as otherwise disclosed herein (being the date of our latest audited combined financial results of our Company as set out in Appendix I to this prospectus).

Capture Advance and Pacific Mining were acquired by the Group via Best Sparkle on 22 December 2010 and 26 December 2010 respectively. Pre-acquisition financial information for Pacific Mining and Capture Advance was prepared and included in Appendix IIA — Accountants' Report of Pacific Mining Resources Sdn. Bhd. and Appendix IIB — Accountants' Report of Capture Advance Sdn. Bhd. respectively.

### **SUMMARY OF PRE-ACQUISITION FINANCIAL INFORMATION FOR CAPTURE ADVANCE**

Capture Advance is principally engaged in the iron ore mining and iron ore beneficiation. In May 2008 and January 2009, Capture Advance acquired the exclusive mining rights of the Besol Mine and

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## FINANCIAL INFORMATION

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Talam Mine, pursuant to the Besol Mining Rights Agreement and Talam Mining Rights Agreement respectively. On 22 December 2010, our Group acquired 100% equity interest in Capture Advance. Please refer to Appendix IIB to this prospectus for the pre-acquisition financial information of Capture Advance for the year ended 31 December 2009 and for the period from 1 January 2010 to 22 December 2010.

### **Summary Discussion of Results of Operations of Capture Advance**

#### *Revenue*

Capture Advance derived substantially all of the revenue from the sale of iron ore products produced from Besol Mine as well as from our trading activities. Revenue increased by USD6.3million, or 286.4%, from USD2.2 million for the year ended 31 December 2009 to USD8.5 million for the period from 1 January 2010 to 22 December 2010. The increase was because Capture Advance produced and sold the first batch of 18 Kt iron ore products produced from Besol Mine for the period from 1 January 2010 to 22 December 2010. During the year ended 31 December 2009, Capture Advance generated all of its revenue from trading of iron ore products.

#### *Cost of sales*

Cost of sales increased by USD4.7 million, or 235.0%, from USD2.0 million for the year ended 31 December 2009 to USD6.7 million for the period from 1 January 2010 to 22 December 2010. Such growth was in line with that in revenue. Cost of sales mainly represented the cost of purchase of iron ore from trading activities, employee benefits, service fee to contractors for Besol Mine.

#### *Gross profit margin*

Gross profit margin increased from 6.3% for the year ended 31 December 2009 to 20.8% for the period from 1 January 2010 to 22 December 2010. Such increase was mainly due to the decreasing proportion of trading activities upon the start of commercial production of Besol Mine. In early 2010, Capture Advance recognised revenue from its self-production activities at Besol Mine, enabling Capture Advance to better control its own production cost. As such, a higher gross profit margin was achieved.

#### *Selling and distribution costs*

Selling and administration costs largely comprised freight costs necessary to bring the products to the port of destination designated by customers and boarding expense for the loading of iron ore products at the port. Selling and distribution costs increased from USD0.7 million for the year ended 31 December 2009 to USD1.3 million for the period from 1 January 2010 to 22 December 2010 mainly as a result of the business growth from the sale of self-production iron ore products from Besol Mine.

#### *Other expenses*

Other expenses mainly comprised exchange loss, administration fees charged by banks in respect of letter of credit and other miscellaneous expenses. The balance decreased slightly from USD1.0 million for the year ended 31 December 2009 to USD0.7 million for the period from 1 January 2010 to 22 December 2010.

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## FINANCIAL INFORMATION

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### *Loss before tax for the period/year*

Capture Advance recorded USD1.5 million loss before tax for the year ended 31 December 2009 and USD0.3 million loss before tax for the period from 1 January 2010 to 22 December 2010. The decrease in loss before tax was due to the fact that the self-production activities at Besol Mine carried higher margin than that of trading activities started in 2010.

### **Summary Discussion of Selected Balance Sheet Items of Capture Advance**

#### *Property, plant and equipment*

Property, plant and equipment amounted to USD1.3 million and USD1.2 million as at 31 December 2009 and 22 December 2010, respectively. Property, plant and equipment mainly consisted of mines properties, machinery, vehicles and others.

#### *Other intangible assets*

Other intangible assets represented the mining rights and reserves of Besol Mine and Talam Mine amounted to USD3.3 million and USD3.7 million as at 31 December 2009 and 22 December 2010, respectively. In May 2008, Capture Advance acquired a 20-year exclusive mining right of the Besol Mine pursuant to the Besol Mining Rights Agreement and in January 2009, Capture Advance entered into an agreement to acquire the exclusive mining right of the Talam Mine pursuant to the Talam Mining Rights Agreement.

#### *Prepayments and other receivables*

Prepayments and other receivables amounted to USD0.2 million and USD0.9 million as at 31 December 2009 and 22 December 2010, respectively. Increase in the balance of other receivables represented the prepayments and deposits made to the mining contractors of Capture Advance to manage and carry out mining and rehabilitation works for Project Ibam.

#### *Due to related parties*

Capture Advance had balance of USD4.3 million and USD6.4 million due to related parties as at 31 December 2009 and 22 December 2010, respectively. The amounts were mainly due to Chengdu Hande who had financed Project Ibam's early development. The outstanding balances are unsecured, interest-free and have no fixed terms of repayment.

### **Liquidity, capital resources and cash flows**

During the year ended 31 December 2009 and the period from 1 January 2010 to 26 December 2010, Capture Advance financed its working capital and capital expenditure through advances from related parties and internally generated operating cashflow.

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## FINANCIAL INFORMATION

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### *Net cash flows from operating activities*

During the period from 1 January 2010 to 22 December 2010, net cashflows from operating activities amounted to USD0.5 million, which were primarily consisted of (i) loss before working capital movement of USD30,000, (ii) cash outflows of USD0.7 million from the increase in prepayments and other receivables, (iii) cash inflows of USD1.8 million from increase in trade and other payables and accruals; and (iv) cash outflows of USD0.5 million from the increase in inventories.

During the year ended 31 December 2009, net cash flows from operating activities amounted to USD1.0 million, which were primarily consisted of loss before working capital movement of USD1.2 million and cash inflows of USD2.3 million from increase in trade and other payables and accruals.

### *Net cash flows used in investing activities*

During the period from 1 January 2010 to 22 December 2010, net cash flows used in investment activities amounted to USD0.1 million which represented the purchase of property, plant and equipment.

During the year ended 31 December 2009, net cash flows used in investment activities amounted to USD1.0 million, represented primarily USD0.9 million for the purchase of other intangible assets of mining rights and USD0.1 million for the purchase of property, plant and equipment.

## **SUMMARY OF PRE-ACQUISITION FINANCIAL INFORMATION OF PACIFIC MINING**

Pacific Mining was incorporated in Malaysia as a company with limited liability on 31 August 2007. Pursuant to an acquisition on 26 December 2010, Pacific Mining became a subsidiary of our group of which CAA Resources Limited became the holding company. Please refer to Appendix IIA to this prospectus for the pre-acquisition financial information of Pacific Mining for the year ended 31 December 2009 and for the period from 1 January 2010 to 26 December 2010.

### **Summary Discussion of Results of Operations of Pacific Mining**

#### *Administrative expenses*

Administrative expenses comprised mainly staff costs, rental expenses, utilities, office expenses and other miscellaneous expenses. During the year ended 31 December 2009 and for the period from 1 January 2010 to 26 December 2010, Pacific Mining remained largely dormant with minimal administrative expenses of USD1,000 and USD0.2 million, respectively.

#### *Finance costs*

Finance costs were incurred on the interest-bearing bank loans obtained to finance the purchase of motor vehicles. The balance was nil for the year ended 31 December 2009 because the interest-bearing bank loans was only drawn during the period from 1 January 2010 to 26 December 2010.

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## FINANCIAL INFORMATION

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### *Loss for the year/period*

As explained above, Pacific Mining recorded loss of USD1,000 and USD0.2 million for the year ended 31 December 2009 and for the period from 1 January 2010 to 26 December 2010, respectively.

### **Summary Discussion of Selected Balance Sheet Items of Pacific Mining**

#### *Property, plant and equipment*

As at 26 December 2010, property, plant and equipment amounted to USD0.3 million, mainly represented several motor vehicles Pacific Mining purchased during the year, as compared to nil as at 31 December 2009.

#### *Prepayments, deposits and other receivables*

As at 26 December 2010, prepayments, deposits and other receivables amounted to USD0.3 million as compared to nil as at 31 December 2009. Such amounts mainly represented the prepayments to Gema Impak.

#### *Interest-bearing bank loans*

As at 26 December 2010, non-current liabilities of interest-bearing bank loans amounted to USD0.2 million and the current liabilities of interest-bearing bank loans amounted to USD46,000 as compared to nil as at 31 December 2009. Such interest bearing bank loans represented the loans drawn to finance the purchases of motor vehicles.

#### *Due to a related party*

As at 26 December 2010, amount due to Capture Advantage amounted to USD0.5 million as compared to nil as at 31 December 2009. Such balances represented the expenses paid on behalf of Pacific Mining by Capture Advantage for its operation and were unsecured, interest free and had no fixed terms of payment.

### **Liquidity, capital resources and cash flows**

During the period from 1 January 2010 to 26 December 2010, Pacific Mining financed its working capital from advances from a related party and interest-bearing bank loans.

#### *Net cash flows from operating activities*

During the year ended 31 December 2009, the net cash flows from operating activities of USD600 comprised mainly loss before tax and increase in other payables.

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## FINANCIAL INFORMATION

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During the period from 1 January 2010 to 26 December 2010, the net cash flows from operating activities comprised (i) loss before movements in working capital of USD0.2 million, (ii) increase in other receivables of USD0.3 million; and (iii) increase in amounts due to a related party of USD0.5 million.

### *Net cash flows used in investing activities*

During the year ended 31 December 2009, there was no cash inflows or outflows in investing activities.

During the period from 1 January 2010 to 26 December 2010, the net cash flows used in investing activities of USD0.3 million entirely represented the purchase of property, plant and equipment of motor vehicles.

### *Net cash flows from financing activities*

During the year ended 31 December 2009, there was no cash inflows or outflows from financing activities.

During the period from 1 January 2010 to 26 December 2010, the net cash flows from financing activities of USD0.2 million represented primarily by proceeds received from the interest-bearing bank borrowings to finance the purchase of motor vehicles offset by the interest paid.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” of this prospectus for a detailed description of our future plans.

### USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$1.45 per Share (being the mid-point of the estimated price range), our Directors estimate that the net proceeds to us from the Global Offering will be about HK\$495 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Global Offering. Our Directors presently intend to use the net proceeds from the Global Offering as follows:

- approximately 51.6%, or HK\$255.5 million, to finance the expansion of mining and beneficiation capacity of Project Ibam. Further details of such plan are set out under the paragraph headed “Expansion Plan and Capital Expenditure” under the section headed “Business” of this prospectus;
- approximately 19.2%, or HK\$95.0 million, to finance the construction of the new berth at Kuantan Port for the right to use this dedicated berth. Further details of such plan are set out under the paragraph headed “Our Business Strategies — Further enhance operational efficiency and reduce operating costs” under the section headed “Business” of this prospectus;
- approximately 19.2%, or HK\$95.0 million, for acquisitions of companies with existing exploration rights and additional mining assets in Malaysia. Further details of such plan are set out under the paragraph headed “Our Business Strategies — Further exploration at the Ibam mine and increase our Ore Reserves through acquisition” under the section headed “Business” of this prospectus. As at the Latest Practicable Date, we had not identified any acquisition targets;
- the balance of the net proceeds to be used for working capital and other general corporate purposes.

If the Offer Price is set at the high-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will increase by approximately HK\$55 million. In such event, our Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering, and the remaining additional net proceeds to finance the expansion of mining and beneficiation capacity of Project Ibam.



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## FUTURE PLANS AND USE OF PROCEEDS

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If the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering (assuming the Over-allotment Option is not exercised) will decrease by approximately HK\$55 million. In such event, we intend to reduce the allocation of net proceeds for acquisitions of companies with existing exploration rights and additional mining assets in Malaysia. Any shortfall will be financed by our internal resources and/or project financing.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK\$1.45 per Offer Share, being the mid-point of the indicative range of Offer Price), we will receive additional net proceeds of HK\$78 million. Our Directors intend to apply the additional net proceeds to general working capital by increasing the amount of which to up to 10% of the aggregate net proceeds from the Global Offering, and the remaining additional net proceeds to finance the expansion of mining and beneficiation capacity of Project Ibam.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into agreements with three cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who in aggregate have agreed to subscribe for up to approximately US\$26 million worth of our Shares at the Offer Price (collectively, the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$1.45 (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors will be approximately 139,360,000 (assuming an exchange rate of HK\$7.772 to USD1), which is approximately 9.3% of the Shares in issue immediately following completion of the Global Offering and 37.2% of the Offer Shares (assuming the Over-allotment Options is not exercised). The Cornerstone Investors do not have and will not have representatives on our Board. Each of the Cornerstone Investors is independent of us, our connected persons and their respective associates. Each of the Cornerstone Investors is not a connected person of the other Cornerstone Investors. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around 2 July 2013.

The Cornerstone Placing forms part of the International Offering. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by re-allocation of the Offer Shares between the International Offering and the Hong Kong Public Offer in the event of over-subscription under the Hong Kong Public Offer as described in the section headed “Structure of the Global Offering — Hong Kong Public Offer” in this prospectus nor affected by any exercise of the over-allotment option.

Details of the Cornerstone Placing are set out below:

<b>Investor</b>	<b>Date of agreement</b>	<b>Investment amount (US\$)</b>	<b>Number of Offer Shares (Note 1)</b>	<b>Percentage of total number of Shares in issue</b>	<b>Percentage of total number of Offer Shares</b>
Venus Investment Fund	10 June 2013	15,000,000	80,400,000	5.4%	21.4%
Broad Resources Investment (Asia Pacific) Limited	10 June 2013	3,000,000	16,080,000	1.1%	4.3%
Mercuria Energy Group Limited	10 June 2013	8,000,000	42,880,000	2.9%	11.4%

*Note 1:* Based on the Offer Price of HK\$1.45 (being the mid-point of the indicative Offer Price range).

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

#### **Venus Investment Fund**

Venus Investment Fund is a company incorporated in the Cayman Islands on 13 July 2009 with its business registration number OG-228241, and its principal business activity is financial investment. It mainly focuses on fixed income and equity investments. It is owned by Legendary Hope Investment Holdings Corporation. As at 7 June 2013, the total net value of investments made by Venus Investment Fund is approximately USD71,537,000. Venus Investment Fund has a diversified earning base derived from its portfolio of fixed income products and equities, with the main bond issuers coming from Singapore, China, United States, and Australia.

#### **Broad Resources Investment (Asia Pacific) Limited**

Broad Resources Investment (Asia Pacific) Limited mainly focuses on seeking opportunities for investment in outstanding enterprises in China-based Asian emerging markets. Incorporated in BVI in 2007, it has invested in several listed or unlisted companies. Broad Resources Investment (Asia Pacific) Limited is one of the professional investment institutions that operate under the brand of “Broad Resources”. Currently there are a total of more 15 investment institutions worldwide that operate under the brand of “Broad Resources”. The Broad Resources series of investment institutions have an investment size of over RMB 2 billion, which are mainly for investment in national strategic emerging industries such as rare earth metal smelting manufacturer, high-end equipment manufacturing, bio-pharmaceutical and culture media services. There are more than 30 investment enterprises, mainly Chinese enterprises or enterprises with focus on operation in China but with establishment outside of China. Their investments concentrate geographically in Yangtze River Delta, Pearl River Delta and the Mid-west with Wuhan as the center.

#### **Mercuria Energy Group Limited**

Mercuria Energy Group Limited is a privately held international commodity trading company active over a wide spectrum of markets including crude oil and refined petroleum products, bio-fuels, environmental products, natural gas and liquefied natural gas (LNG), power, coal, iron ore and a range of other dry bulk commodities and agricultural products. They are one of the world’s five largest independent energy traders and their trading headquarters are based in Geneva, Switzerland, with 37 additional offices worldwide.

### CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among others, the following condition precedents:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective original terms or as subsequently varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements;

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## **CORNERSTONE INVESTORS**

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- (b) the Listing Committee having granted the listing of, and permission to deal in, the Offer Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and
  
- (c) neither the Hong Kong Underwriting Agreement and the International Underwriting having been terminated.

### **RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS**

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of the Company and the Joint Bookrunners, it shall not, whether directly or indirectly, at any time during the period of twelve months for Venus Investment Fund and six months for Broad Resources Investment (Asia Pacific Limited) and Mercuria Energy Group Limited following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of the Shares or any interest therein or any voting right or any other right attaching thereto; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. Each Cornerstone Investor may transfer the Shares so subscribed for in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, each of the Cornerstone Investors will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the SFO and the Listing Rules and such other applicable laws.

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## UNDERWRITING

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### UNDERWRITERS FOR THE GLOBAL OFFERING

#### **Hong Kong Underwriters**

China Everbright Securities (HK) Limited

BOCI Asia Limited

#### **International Underwriters**

China Everbright Securities (HK) Limited

BOCI Asia Limited

#### **Co-Manager**

President Securities (Hong Kong) Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **Hong Kong Public Offer**

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Public Offer, our Company is offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Offer Shares are fully underwritten pursuant to the Hong Kong Underwriting Agreement.

##### *Grounds for termination*

The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement upon the occurrence of any of the

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## UNDERWRITING

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following events by notice to our Company given by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (the “Termination Time”) if prior to the Termination Time,

- (a) there shall develop, occur or come into force:
  - (i) any event, or series of events, in the nature of force majeure beyond the reasonable control of the Underwriters (including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs, fire, explosion, flooding, earthquake, nuclear leakage, civil commotion, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God, acts of terrorism, declaration of a national or international emergency, riot, public disorder, economic sanctions, outbreaks of diseases or epidemics (including, without limitation, severe acute respiratory syndrome, avian influenza (H5N1), swine flu (H1N1) or such related or mutated forms or interruption or delay in transportation) in or affecting any of Hong Kong, the PRC, Malaysia, the United States, the United Kingdom, Japan, the European Union (or any member thereof), the Cayman Islands, the British Virgin Islands, Singapore or any other jurisdictions relevant to the Company and its subsidiaries (together, the “**Specific Jurisdictions**”); or
  - (ii) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in the Specific Jurisdictions or any other similar event which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of the Group or which may be expected to adversely affect the business or financial conditions or prospects of the Group in a material way; or
  - (iii) any change or development involving a prospective change (whether or not permanent), or any event or series of events likely to result in any change and development involving a prospective change in local, national, regional, international, financial, military, industrial or economic conditions or prospects, stock market, fiscal or political conditions, regulatory or market conditions (including without limitation any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the Tokyo Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, or a material fluctuation in the exchange rate of the Hong Kong dollar against any foreign currency, or any interruption in monetary or trading or securities settlement or clearance services or procedures in or affecting Hong Kong or any Specific Jurisdictions or any other similar event which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) has or is likely to have a material adverse effect on the business or financial conditions or prospects of our Group or which may be expected to adversely affect the business or financial conditions or prospects of our Group in a material way; or

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## UNDERWRITING

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- (iv) any general moratorium on commercial banking activities in the Specific Jurisdictions or a material disruption in commercial banking or securities settlement or clearance services in any of the Specific Jurisdictions; or
- (v) any change or development occurs involving a prospective change in taxation or in exchange control in the Specific Jurisdictions to which any member of the Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) would or might adversely affect any member of our Group or its present or prospective shareholders in their capacity as such in a material way; or
- (vi) any litigation or claim of material importance to the business, financial or operations of our Group being threatened or instituted against any member of our Group; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, in the Specific Jurisdictions; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of applicable laws, rules and regulations or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer or chief financial officer of our Company or any Director vacating his office; or
- (x) any governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-government regulatory authority, or any court, tribunal or arbitrator, whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign, or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any companies of our Group or Director; or
- (xi) order or petition for the winding up of any companies of our Group or any composition or arrangement made by any companies of our Group with its creditors or a scheme of arrangement entered into by any companies of our Group or any resolution for the winding up of any companies of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any companies of our Group or anything analogous thereto occurring in respect of any companies of our Group,

and any such event, which, individually, or in the aggregate, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), (i) has or may have a material adverse effect on the success of the Global Offering, or the level of applications under the Hong Kong Public Offer or the level of interest under the International Placing; or (ii) has or will or may have a material adverse effect on the assets, liabilities, business, prospects, trading or financial position of our

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## UNDERWRITING

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Group as a whole; or (iii) makes it inadvisable or inexpedient to proceed with the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

- (b) there comes to the notice of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) any matter or event showing any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material or showing any of the obligations or undertakings expressed to be assumed by or imposed on our Company or the covenantors under the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material; or
- (c) there comes to the notice of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) any breach on the part of our Company or any of the covenantors of any provisions of the Hong Kong Underwriting Agreement in any respect which is considered by the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in their sole and absolute opinion to be material; or
- (d) any statement contained in this prospectus, notices, advertisements, announcements, web proof information pack, the submissions, documents or information provided to the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Joint Bookrunners (for themselves and the Underwriters) and any other parties involved in the Global Offering which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), was to be issued at that time, has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
- (e) matters have arisen or have been discovered which would, if this prospectus, notices, advertisements, announcements, web proof information pack, was to be issued at that time, constitute, in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), a material omission of such information; or
- (f) there is any adverse change or prospective adverse change in the business or the financial or trading position or prospects of our Group which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) is material as a whole; or
- (g) the approval of the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment



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## UNDERWRITING

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Option) under the Global Offering and the Shares to be issued pursuant to the Capitalisation Issue is refused or not granted, other than subject to customary conditions, at or before 8:00 am of the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

- (h) any expert, who has given opinion or advice which are contained in this prospectus, has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or advices and references to its name included in the form and context in which it respectively appears prior to the issue of this prospectus; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or
- (j) there comes to the notice of the Joint Bookrunners or any of the Underwriters any information, matter or event which in the sole and absolute opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters):
  - (i) is inconsistent in any material respect with any information contained in the Declaration and Undertaking with regard to Directors (Form B) given by any Directors pursuant to the Global Offering; or
  - (ii) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group.

### **The International Placing**

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. It is expected that upon the entering into the International Underwriting Agreement, the International Placing will be fully underwritten.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to agree to subscribe or procure purchasers to subscribe for the International Placing Shares being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in “Undertakings” below in this section.

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## UNDERWRITING

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### Commission and expenses

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of the Offer Shares. In consideration of the Sole Sponsor's services in sponsoring the Global Offering, the Sole Sponsor will also receive a financial advisory fee. Such fee and commission, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK\$48.8 million in aggregate (assuming an Offer Price of HK\$1.45 per Offer Share (being the midpoint of the indicative Offer Price of HK\$1.30 to HK\$1.60 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

### Undertakings

- (A) Each of the Controlling Shareholders has given an undertaking to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save for any lending of Shares by Cosmo Field pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its associates will:
- (a) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six Month Period**”), (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in

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## UNDERWRITING

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paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other companies of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);

- (b) he or it will not, during the period of six months commencing on the date on which the First Six month Period expires and including, the date that is six months after the end of the First Six month Period (the “**Second Six Month Period**”), enter into any of the transactions specified in paragraphs (a)(i), (a)(ii) and (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him or it and/or any of his or its associate which owns such Shares or interests as aforesaid; and
  - (c) until the expiry of the Second Six Month period, in the event that he or it enters into any of the transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.
- (B) Without prejudice to above, each of the Controlling Shareholders undertakes and covenants with our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Sole Global Coordinator and the Hong Kong Underwriters that:
- (a) save with the prior written consent from the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in the Prospectus and ending on the date which is 12 months from the Listing Date, he or it shall not and shall procure that none of his or its associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him or it or any of their associates or in which he or it or any of their associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

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## UNDERWRITING

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- (b) in the event that notification is given to the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters), when he or it or any of their associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in paragraph (a) above, he or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the “**Mortgagee**”) in favour of whom the pledge, charge, encumbrance or interest is created and further if he or it or any of their associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in paragraph (a) above, he or it will immediately notify the Stock Exchange, the Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, the Company, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that our Company shall forthwith inform the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after it has been informed of the matters referred to in paragraph (b) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

- (C) Except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalization Issue as disclosed in this prospectus, during the First Six Month Period, our Company hereby undertakes to each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, and to procure each company of our Group not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:
- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other companies of our Group, as applicable, or any interest in any of the foregoing (including, without limitation,

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## UNDERWRITING

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any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other company of our Group, as applicable); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other companies of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such companies of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such companies of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### **JOINT BOOKRUNNERS' AND UNDERWRITERS' INTEREST IN OUR COMPANY**

The Joint Bookrunners and the Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for the Offer Shares. Particulars of these commissions and expenses are set forth in “Commissions and expenses” above in this section.

Save as disclosed above, none of the Sole Global Coordinator, the Joint Bookrunners and the Hong Kong Underwriters is interested legally or beneficially in shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of its members nor any interest in the Global Offering.

### **MINIMUM PUBLIC FLOAT**

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be Tuesday, 25 June 2013, and in any event, not later than Wednesday, 26 June 2013.

**Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus.** The Offer Price will not be more than HK\$1.60 per Offer Share and is expected to be not less than HK\$1.30 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where it considers appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, cause there to be published on the Company's website at [www.caa-resources.com](http://www.caa-resources.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) notice of reduction in the indicative Offer Price range. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) of a reduction in the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon with our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

**If, for any reason, the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the Price Determination Agreement by the Price Determination Date, the Global Offering will not become unconditional and will not proceed and will lapse.**

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## STRUCTURE OF THE GLOBAL OFFERING

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Announcement of the final Offer Price, together with indication of the level of interests in the International Placing and the results of application under the Hong Kong Public Offer and basis of allocation of the Hong Kong Offer Shares is expected to be published on Tuesday, 2 July 2013.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.60 per Offer Share and is expected to be not less than HK\$1.30 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer as set out above. Prospective investors should be aware that the Offer Price as determined on the Price Determination Date may be lower than the indicative Offer Price as stated in this prospectus.

Applicants under the Hong Kong Public Offer should pay, on application, the maximum price of HK\$1.60 per Offer Share plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. That means a total of HK\$3,232.26 is payable for every board lot of 2,000 Shares. The Application Forms have tables showing the exact amount payable for certain multiples of Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK\$1.60 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus.

### CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offer is conditional upon:

#### 1. Listing

The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares.

#### 2. Underwriting Agreements

- (i) The obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof; and
- (ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date.

#### 3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “Refund of your monies” in the relevant Application Forms.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

### THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offer. A total of initially 375,000,000 Offer Shares will be made available under the Global Offering. Among these Offer Shares, 337,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the International Placing. The remaining 37,500,000 Hong Kong Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to the public in Hong Kong under the Hong Kong Public Offer.

The Hong Kong Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriter will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in “Underwriting” in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

### International Placing

Our Company is expected to offer initially 337,500,000 International Placing Shares (subject to re-allocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriter. Investors subscribing for the International Placing Shares are also required to pay the maximum Offer Price of HK\$1.60 per Share plus a brokerage of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003% of the Offer Price.



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## STRUCTURE OF THE GLOBAL OFFERING

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It is expected that the International Underwriter, or selling agents nominated by it, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of the Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake and confirm in the Application Form that he/she has not applied for Shares under the Hong Kong Public Offer.

Our Company, our Directors, the Sole Sponsor and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offer from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offer.

The International Placing is expected to be subject to the conditions as stated in “Conditions of the Hong Kong Public Offer” in this section.

### **Hong Kong Public Offer**

Our Company is initially offering 37,500,000 Hong Kong Offer Shares for subscription (subject to re-allocation) by the public in Hong Kong under the Hong Kong Public Offer, representing 10% of the total number of Offer Shares offered under the Global Offering. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. Applicants for the Hong Kong Offer Shares are required on application to pay the maximum Offer Price of HK\$1.60 per Share plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.003% SFC transaction levy.

The Hong Kong Public Offer is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she has not applied for nor taken up any Shares under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Hong Kong Public Offer is liable to be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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For allocation purposes only, the number of the Hong Kong Offer Shares will be divided equally into two pools: 18,750,000 Shares in pool A and 18,750,000 Shares in pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares in the value of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares in the value of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pool is under-subscribed, the surplus Hong Kong Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Any application made for more than 100% of the Hong Kong Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. When there is over-subscription under the Hong Kong Public Offer, allocation of the Hong Kong Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Offer Shares than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

### **BASIS OF ALLOCATION OF THE OFFER SHARES**

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be allocated to the Hong Kong Public Offer from the International Placing, so that the total number of Shares available for subscription under the Hong Kong Public Offer will be increased to 112,500,000 Shares, representing 30% of the Offer Shares;
- (b) if the number of Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 150,000,000 Shares, representing 40% of the Offer Shares; and

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## STRUCTURE OF THE GLOBAL OFFERING

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- (c) if the number of Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offer, then Shares will be reallocated to the Hong Kong Public Offer from the International Placing, so that the number of Shares available for subscription under the Hong Kong Public Offer will be increased to 187,500,000 Shares, representing 50% of the Offer Shares.

In all cases, the additional Shares reallocated to the Hong Kong Public Offer will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

If the Hong Kong Public Offer is not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offer to the International Placing in such proportions as it deems appropriate.

### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Joint Bookrunners the Over-allotment Option which will expire on a date which is 30 days from the date of the last day of lodging application under the Hong Kong Public Offer. Pursuant to the Over-allotment Option, our Company may be required by the Joint Bookrunners to allot and issue up to and not more than 56,250,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Sole Global Coordinator may also cover such over-allocations by, among other means, purchasing Shares in the secondary market or through stock borrowing arrangements with Cosmo Field or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all application laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 56,250,000 new Shares will represent approximately 3.6% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option in full. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the Offer Price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Sole Global Coordinator, as the stabilising manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 56,250,000 additional Shares, being

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## STRUCTURE OF THE GLOBAL OFFERING

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the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with Cosmo Field or through a combination of these means or otherwise. However, there is no obligation on the Sole Global Coordinator to do this. Such stabilisation action, if commenced, may be discontinued at any time, and is required to be brought to an end after a limited period. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Sole Global Coordinator (for itself and on behalf of the Underwriters) may take all or any of the following actions (“primary stabilising action”) with respect to any Shares during the stabilisation period, which should end on Thursday, 25 July 2013:

- (1) purchase, or agree to purchase, any of the Shares;
- (2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Sole Global Coordinator (for itself and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:
  - (a) for the purpose of preventing or minimising any reduction in the market price of the Shares;
    - (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or
    - (ii) sell or agree to sell Shares so as to establish a short position in them;
  - (b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);
  - (c) sell or agree to sell any Shares acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or
  - (d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware that:

- the Sole Global Coordinator (for itself and on behalf of the Underwriters) may, in connection with the stabilising action, maintain a long position in the Shares;

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## STRUCTURE OF THE GLOBAL OFFERING

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- there is no certainty regarding the extent to which and the time period for which the Sole Global Coordinator will maintain such a long position;
- liquidation of such a long position by the Sole Global Coordinator may have an adverse impact on the market price of our Shares;
- stabilising action cannot be taken to support the price of our Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer, that the stabilising period is expected to expire on Thursday, 25 July 2013, and that after this date, when no further stabilising action may be taken, demand for our Shares, and therefore its price could fall; and
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for our Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of SFO will be made within seven days of the expiration of the stabilisation period.

### STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 56,250,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Sole Global Coordinator may borrow up to 56,250,000 Shares from Cosmo Field, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with. The principal terms of the Stock Borrowing Agreement are:

- the stock borrowing arrangement will only be effected by the borrower for settlement of over-allocations in connection with the International Placing;
- the maximum number of Shares borrowed from Cosmo Field will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;

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## STRUCTURE OF THE GLOBAL OFFERING

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- the same number of Shares so borrowed must be returned to Cosmo Field or its nominees on no later than three business days following the earlier of (i) the last day for exercising the Over-allotment Option; and (ii) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- no payments will be made to Cosmo Field by the Sole Global Coordinator in relation to the stock borrowing arrangement.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### I. METHODS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are two ways to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by either using a **WHITE** or **YELLOW** Application Form or giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC.

### II. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

#### 1. Which Application Form to Use

- (a) Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.
- (b) Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

*Note:* The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in the Company, Directors or chief executives of the Company or any of its subsidiaries, or associates of any of them (an "associate" is defined in the Listing Rules) or to legal or natural persons of the PRC or persons who do not have a Hong Kong address.

#### 2. Where to Collect the Application Forms

- (a) You can collect a **WHITE** Application Form from:

Any of the following addresses of the Sole Sponsor and the Hong Kong Underwriters:

1. **China Everbright Capital Limited**  
17th Floor, Far East Finance Centre  
16 Harcourt Road  
Hong Kong
2. **China Everbright Securities (HK) Limited**  
36th Floor, Far East Finance Centre  
16 Harcourt Road  
Hong Kong
3. **BOCI Asia Limited**  
26th Floor, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. **President Securities (Hong Kong) Limited**

Units 2603-6  
26/F, Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

or any of the following branches of Wing Lung Bank Limited:

	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
<b>Kowloon</b>	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	Sham Shui Po Branch	111 Tai Po Road
	San Po Kong Branch	8 Shung Ling Street
<b>New Territories</b>	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road

- (b) You can collect a **YELLOW** Application Form during normal business hours from 9:00 a.m. on Thursday, 20 June 2013 till 12:00 noon on Tuesday, 25 June 2013 from:
- (i) the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
  - (ii) your stockbroker, who may have the Application Forms available.

### 3. **How to complete the Application Form and make payment**

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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You should note that by completing and submitting the Application Form, amongst other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

- (a) **agree** with our Company and each Shareholder, and our Company agrees with each of our Shareholders, to observe and comply with the Companies Ordinance, the memorandum of association of the Company and the Articles;
- (b) **agree** with our Company and each Shareholder that the Shares in our Company are freely transferable by the holders thereof;
- (c) **authorise** our Company to enter into a contract on your behalf with each of the Directors and officers of our Company whereby each such Director and officer undertakes to observe and comply with his obligations to shareholders as stipulated in the memorandum of association of our Company and the Articles;
- (d) **confirm** that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations;
- (e) **agree** that our Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Underwriters and/or any of their respective directors, officers, employees, agents or advisers and any other parties involved in the Global Offering are liable only for the information and representations contained in this prospectus;
- (f) **undertake** and **confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
- (g) **agree** to disclose to our Company, our registrar, receiving banker, the Joint Bookrunners, the Sole Sponsor, the Hong Kong Underwriters and their respective advisors and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;
- (h) **instruct** and **authorise** our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and/or the Hong Kong Underwriters as agent for our Company (or their respective agents or nominees) to do on your behalf all things necessary to effect registration of any Hong Kong Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the Application Form;
- (i) **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (j) **warrant** the truth and accuracy of the information contained in your application and understand that you may be prosecuted if you make a false declaration;
- (k) **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- (l) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;
- (m) **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under the application;
- (n) if the laws of any place outside Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of our Company, the Joint Bookrunners, the Sole Sponsor and the Hong Kong Underwriters nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to subscribe, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (o) **undertake** to sign all documents and to do all things necessary to enable you to be registered as the holder of the Offer Shares allocated to you, and as required by the Articles;
- (p) **represent, warrant and undertake** that you/none of the persons for whose benefit you are applying is restricted by any applicable laws of Hong Kong or elsewhere from making the application, paying any application moneys for, or being allotted or taking up, any Hong Kong Offer Shares; and at the time the offer of Hong Kong Offer Shares was made to you and at the time you are completing and submitting the application to originate your buy order, you are, and each of the other person(s) for whose benefit you are applying is, located outside the United States (as defined in Regulation S under the U.S. Securities Act 1933) and will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the U.S. Securities Act) outside the United States; or the allotment of or the application for the Hong Kong Offer Shares to or by whom your application is made would require our Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;
- (q) (if the application is made for your own benefit) **warrant** that your application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC;
- (r) (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (s) (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;
- (t) **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;
- (u) **agree** to disclose to our Company, the Joint Bookrunners and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- (v) **authorise** our Company to place your name(s) or HKSCC Nominees, as the case may be, on our Company's register of members as the holder(s) in Hong Kong of any Offer Shares allocated to you, and our Company and/or our Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated on the Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more, as the case may be, and have indicated in the Application Form that you wish to collect your refund cheque and/or Share certificates (where applicable) in person);
- (w) **confirm** that you are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;
- (x) **understand** that these declarations and representations will be relied upon by our Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in deciding whether or not to allocate any Offer Shares in response to your application;
- (y) **agree** with our Company, for itself and for the benefit of each shareholder of the Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) (and if applicable, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Law, the Memorandum and the Articles; and
- (z) **agree** that the processing of the application may be done by the Company's receiving bankers and is not restricted to the bank at which the application was lodged.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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In order for the **YELLOW** Application Forms to be valid:

- (a) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**
  - (i) the designated CCASS Participant must endorse the Application Form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
  
- (b) **If the application is made by an individual CCASS Investor Participant:**
  - (i) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
  - (ii) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
  
- (c) **If the application is made by a joint individual CCASS Investor Participant:**
  - (i) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card number of all joint CCASS Investor Participants; and
  - (ii) the participant I.D. must be inserted in the appropriate box in the Application Form.
  
- (d) **If the application is made by a corporate CCASS Investor Participant:**
  - (i) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
  - (ii) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission of participant I.D. or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, our Company and the Joint Bookrunners as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. Our Company and the Joint Bookrunners, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 4. How to Make Payment for the Application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

**If you pay by cheque, the cheque must:**

- be in Hong Kong dollars;
- not be post-dated;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- show your account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed at the back of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to “Wing Lung Bank (Nominees) Limited — CAA Resources Public Offer”; and
- be crossed “Account Payee Only”.

Your application may be rejected if your cheque does not meet all these requirements or is dishonoured on first presentation.

**If you pay by banker's cashier order, the banker's cashier order must:**

- be issued by a licensed bank in Hong Kong and have your name certified at the back of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- not be post-dated;
- be in Hong Kong dollars;
- be made payable to “Wing Lung Bank (Nominees) Limited — CAA Resources Public Offer”; and
- be crossed “Account Payee Only”.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 25 June 2013. Our Company will not give you a receipt for your payment. Our Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any Share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

### 5. Members of the Public — Time for Applying for Hong Kong Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 25 June 2013, or, if the application lists are not open on that day, by the time and date stated in the subparagraph headed "Effect of bad weather on the opening of the application lists" below.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Wing Lung Bank Limited listed under the sub-paragraph headed "Where to collect the Application Forms" above at the following times:

**Thursday, 20 June 2013 — 9:00 a.m. to 5:00 p.m.**  
**Friday, 21 June 2013 — 9:00 a.m. to 5:00 p.m.**  
**Saturday, 22 June 2013 — 9:00 a.m. to 1:00 p.m.**  
**Monday, 24 June 2013 — 9:00 a.m. to 5:00 p.m.**  
**Tuesday, 25 June 2013 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 25 June 2013.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Hong Kong Offer Shares will be made until after the closing of the application lists.

### 6. Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 25 June 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

**Business day** means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### III. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

#### 1. General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Centre  
2/F  
Infinitus Plaza  
199 Des Voeux Road Central  
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

#### 2. Giving Electronic Application Instructions to HKSCC to Apply for Hong Kong Offer Shares by HKSCC Nominees on your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (a) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (b) HKSCC Nominees does the following things on behalf of each such person:
- **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
  - **undertakes** and **agrees** to accept the Hong Kong Offer Shares with respect to which that person has given **electronic application instructions** or any lesser number;
  - **undertakes** and **confirms** that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;
  - (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;
  - (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instruction** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;
  - **understands** that the above declaration will be relied upon by the Company, the Sole Sponsor, the Sole Global Coordinator and the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) in deciding whether or not to make any allotment of the Hong Kong Offer Shares in respect of the electronic application instructions given by that person and that that person may be prosecuted if he makes a false declaration;
  - **authorises** the Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's electronic application instructions and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
  - **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;
  - **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
  - **agrees** that our Company and the Directors are only liable for the information and representations contained in this prospectus and any supplement thereto;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **agrees** to disclose that person's personal data to our Company and its registrars, receiving banker, advisors and agents and any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that that any application made by HKSCC Nominees on behalf of that person pursuant to the electronic application instructions given by that person is irrevocable before fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or a public holiday in Hong Kong), unless a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus; However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to the Hong Kong Offer Shares;
- **agrees** with our Company (for the Company itself and for the benefit of each shareholder of our Company) that Shares in our Company are freely transferable by the holders thereof; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participant) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designed bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the initial price per Share paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy and Stock Exchange trading fee, by crediting your designated bank account;
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the white Application Form.

### 4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of the Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of the Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### 5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions in respect of a minimum of 2,000 Hong Kong Offer Shares. Such instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the multiples set out in the table in the Application Forms.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

**Thursday, 20 June 2013 — 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>**

**Friday, 21 June 2013 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**

**Saturday, 22 June 2013 — 8:00 a.m. to 1:00 p.m.<sup>(1)</sup>**

**Monday, 24 June 2013 — 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>**

**Tuesday, 25 June 2013 — 8:00<sup>(1)</sup> a.m. to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 20 June 2013 until 12:00 noon on Tuesday, 25 June 2013 (24 hours daily, except the last application day).

### 7. Effect of bad weather on the last application day

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, 25 June 2013. If:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal is in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Tuesday, 25 June 2013, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong during 9:00 a.m. to 12:00 noon on such day.

### 8. Allocation of Hong Kong Offer Shares

For the purpose of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit such instructions is given will be treated as an applicant.

### 9. Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation in this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 10. Personal data

The section headed “Personal data” of the Application Forms applies to any personal data held by our Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 11. Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Hong Kong Underwriters and any persons involved in the Global Offering take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either (a) submit a white or yellow Application Form; or (b) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 25 June 2013 or such later date as stated in the subparagraph headed “Effect of bad weather on the opening of the application list” above.

### 12. If your application for offer shares is successful

No receipt will be issued for application money paid.

If your application is wholly or partly successful, your share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your CCASS Investor Participant stock account or the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf, on Tuesday, 2 July 2013 or under contingent situation, on any other date HKSCC or HKSCC Nominees chooses.

Our Company will publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong Identity Card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the public offer, in the newspapers on Tuesday, 2 July 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 2 July 2013 or any other date HKSCC or HKSCC Nominees chooses.

If you are instructing your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Offer Shares allocated to you and the amount of refund (if any) payable to you with that broker or custodian.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are applying as a CCASS Investor Participant, you can also check the number of offer shares allotted to you and the amount of refund (if any) payable to you via the CCASS Phone System and CCASS Internet System on Tuesday, 2 July 2013. Immediately following the credit of the offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will make available to you an activity statement showing the number of offer shares credited to your stock account and the amount of refund money credited to your designated bank account (if any).

Our Company will not issue temporary documents of title.

### 13. Refund of your money

All refunds of your application monies (including brokerage, transaction levy and trading fee) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 2 July 2013.

## IV. HOW MANY APPLICATIONS YOU CAN MAKE

1. You may make more than one application for the Hong Kong Offer Shares only if:

You are a nominee, in which case you may make an application as a nominee by: (i) giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Participant); or (ii) using a **WHITE** or **YELLOW** Application Form and lodging more than one application in your own name on behalf of different beneficial owners. In the box on the **WHITE** or **YELLOW** Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code for each beneficial owner (or, in the case of joint beneficial owners, for each such joint beneficial owner).

If you do not include this information, the application will be treated as being made for your own benefit.

2. All of your applications for the Hong Kong Offer Shares (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together or any of your joint applicants:
  - make more than one application (whether individually or jointly with others) on **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant); or

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- both apply (whether individually or jointly with others) on one (or more) **WHITE** Application Form and one (or more) **YELLOW** Application Form or on one (or more) **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC via CCASS; or
  - apply (whether individually or jointly with others) on one (or more) **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or applying through a CCASS Clearing or Custodian Participant) for more than 100% of the Hong Kong Offer Shares being initially available in either pool A or pool B to the public as referred to under the section headed “Structure of the Global Offering” in this prospectus; or
  - have applied for or taken up, or indicated an interest in applying for or taking up or have been or will be placed (including conditionally and/or provisionally) any International Placing Shares under the International Placing.
3. All of your applications for the Hong Kong Offer Shares are liable to be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees Limited acting on **electronic application instructions**. If an application is made by an unlisted company and:
- (a) the only business of that company is dealing in securities; and
  - (b) you exercise statutory control over that company, then the application will be deemed to be made for your benefit.

**Unlisted company** means a company with no equity securities listed on the Stock Exchange.

**Statutory control** in relation to a company means you:

- (a) control the composition of the board of directors of that company; or
- (b) control more than half of the voting power of that company; or
- (c) hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### V. PUBLICATION OF RESULTS

Our Company expects to publish (i) the final Offer Price; (ii) the level of indication of interests in the International Placing; (iii) the level of applications in the Hong Kong Public Offer; and (iv) the basis of allotment of the Hong Kong Offer Shares on the website of our Company at [www.caa-resources.com](http://www.caa-resources.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Tuesday, 2 July 2013 and in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) on or before Tuesday, 2 July 2013.

Results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers of successful applicants (where supplied) and the number of the Hong Kong Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on our website at [www.caa-resources.com](http://www.caa-resources.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) from 9:00 a.m. on Tuesday, 2 July 2013 onwards;
- on our Hong Kong Public Offer results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) on a 24-hour basis from 8:00 a.m. on Tuesday, 2 July 2013 to 12:00 midnight on Monday, 8 July 2013. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its Application Form to search for his/her/its own allocation result;
- from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of the Hong Kong Offer Shares allocated to them, if any, by calling 3691-8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 2 July 2013 to Friday, 5 July 2013; and
- from special allocation results booklets setting out the results of allocations which will be available for inspection during opening hours of the designated branches of the receiving banker of the Hong Kong Public Offer from Tuesday, 2 July 2013 to Thursday, 4 July 2013 at the addresses set out under "Where to collect the Application Forms" above in this section.

### VI. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK\$1.60 per Share (excluding brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto as become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

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No temporary documents of title will be issued with respect to the Hong Kong Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your Application Form:

- (a) for applications on **WHITE** Application Forms: (i) Share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) Share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Hong Kong Offer Shares successfully applied for will be deposited into CCASS as described below); and/or
- (b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Share paid on application in the event that the Offer Price is less than the Offer Price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund/surplus monies but without interest.

Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data could also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of, or may invalidate, your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) with respect to wholly and partially unsuccessful applications and the difference between the Offer Price and the Offer Price per Share initially paid on application (if any) under white or yellow Application Forms; and Share certificates for wholly and partially successful applicants under white Application Forms are expected to be posted on or around Tuesday, 2 July 2013. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 3 July 2013 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in “Underwriting — Grounds for Termination” in this prospectus has not been exercised.

- (a) *If you apply using a **WHITE** Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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applicable) and/or Share certificate(s) (where applicable) from our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and Share certificate(s) (where applicable) from our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 2 July 2013 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of refund cheques/Share certificates. If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorized representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Company's Hong Kong branch shares registrar and transfer office, Tricor Investor Services Limited. If you do not collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or Share certificate(s) (where applicable) will be sent to the address on your Application Form on or around Tuesday, 2 July 2013, by ordinary post and at your own risk.

*(b) If you apply using a **YELLOW** Application Form:*

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on or around Tuesday, 2 July 2013, by ordinary post and at your own risk.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 2 July 2013, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (c) *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):*

For Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- (d) *If you are applying as a CCASS Investor Participant:*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the newspapers on Tuesday, 2 July 2013. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 2 July 2013 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

### VII. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reasons, our Company will refund to you your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon.

If your application is accepted only in part, our Company will refund to you the appropriate portion of your application monies, including the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than HK\$1.60 per Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund to you the surplus application monies, together with the related brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies, without interest. Please refer to "Despatch/Collection of Share Certificates and Refund Cheques" above in this section.

Refund cheques will be crossed "Account Payee Only", and made out to you, or, if you are joint applicants, to the first-named applicant on the Application Form. Part of your Hong Kong Identity Card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong Identity Card number/passport number may lead to delay in encashment of or may invalidate your refund cheque. Refund cheques are expected to be despatched on Tuesday, 2 July 2013.

Refund of your application monies (if any) will be made on or about Tuesday, 2 July 2013 in accordance with the various arrangements as described in this section.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### VIII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which the Hong Kong Offer Shares will not be allotted to you:

#### **If your application is revoked:**

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees Limited on your behalf may only be revoked after the fifth business day after the time of the opening of the application lists of the Hong Kong Public Offer. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person on or before that day except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may be revoked before the fifth business day after the time of the opening of the application lists if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allotment, and where such basis of allotment is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

#### **If our Company or its agents or nominees exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners (on behalf of the Company) or their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application. Our Company, the Joint Bookrunners (on behalf of the Company) or their respective agents or nominees do not have to give any reason for any rejection or acceptance.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### **If the allotment of the Hong Kong Offer Shares is void:**

Your allotment of the Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares in issue and to be issued as mentioned in this prospectus either:

- within three weeks from the closing of the application lists in respect of the Hong Kong Public Offer; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing of the application lists in respect of the Hong Kong Public Offer.

### **If your application is rejected:**

Your application will be rejected if:

- it is a multiple or suspected multiple application;
- your Application Form is not completed correctly in accordance with the instructions therein;
- you or the person(s) for whose benefit you are applying have applied for and/or been allotted or will be allotted with the International Placing Shares;
- your payment is not in the correct form;
- you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;
- our Company and the Joint Bookrunners (on behalf of the Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in the Application Form is located;
- your application is for more than 100% of the Hong Kong Offer Shares initially offered for public subscription in either pool A (18,750,000 Shares) or pool B (18,750,000 Shares); or
- any of the Underwriting Agreements does not become unconditional in accordance with its terms or is terminated in accordance with its terms.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### IX. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 3 July 2013.

The Shares will be traded in board lots of 2,000 Shares each.

The Stock Exchange stock code for the Shares is 2112.

### X. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

20 June 2013

The Directors  
CAA Resources Limited  
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of CAA Resources Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the period from 23 August 2010 to 31 December 2010 and for each of the years ended 31 December 2011 and 2012 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2010, 2011 and 2012 and the statement of financial position of the Company as at 31 December 2012, together with the notes thereto (the “Financial Information”), prepared on the basis of preparation and combination set out in note 2.1 of Section II below, for the inclusion in the prospectus of the Company dated 20 June 2013 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated in the Cayman Islands as a company with limited liability on 25 April 2012. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 1 of Section II, which was completed on 7 April 2013, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as the Company has not been involved in any significant business transaction other than the Reorganisation described above and it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). The Underlying Financial Statements for the period from 23 August 2010 to 31 December 2010 and for each of the years ended 31 December 2011 and 2012 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

### **Directors' responsibility**

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report and on the basis of preparation and combination set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2010, 2011 and 2012, the state of affairs of the Company as at 31 December 2012, and of the combined results and cash flows of the Group for each of the Relevant Periods.

## I. FINANCIAL INFORMATION

## Combined statements of comprehensive income

		<b>For the period from 23 August to 31 December</b>		
	<i>Notes</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>
		<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>Continuing operations</b>				
<b>REVENUE</b>	5	6,865	27,220	54,323
Cost of sales		(6,201)	(19,570)	(32,247)
<b>Gross profit</b>		664	7,650	22,076
Other income		—	169	4
Selling and distribution expenses		(535)	(3,888)	(4,641)
Administrative expenses		(215)	(1,955)	(2,862)
Other expenses		(30)	(92)	(169)
Finance costs	7	—	(33)	(51)
<b>Profit/(loss) before tax from continuing operations</b>	6	(116)	1,851	14,357
Income tax expense	10	—	(651)	(3,953)
<b>Profit/(loss) for the year/period from continuing operations</b>		(116)	1,200	10,404
<b>Discontinued operations</b>				
Profit for the year/period from discontinued operations	11	—	1,120	—
<b>Profit/(loss) for the year/period</b>		(116)	2,320	10,404
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations		—	(833)	858
Other comprehensive income for the year/period		—	(833)	858
<b>Total comprehensive income for the year/period, net of tax</b>		(116)	1,487	11,262
<b>Profit/(loss) for the year/period attributable to:</b>				
Owners of the parent		(116)	2,407	10,419
Non-controlling interests		—	(87)	(15)
		(116)	2,320	10,404
<b>Total comprehensive income for the year/period attributable to:</b>				
Owners of the parent		(116)	1,570	11,279
Non-controlling interests		—	(83)	(17)
		(116)	1,487	11,262



## Combined statements of financial position

		As at 31 December 2010	As at 31 December 2011	As at 31 December 2012
	<i>Notes</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	13	992	4,741	10,203
Other intangible assets	14	20,030	16,579	17,223
Available-for-sale investment	16	—	47	—
Deferred tax assets	25	249	441	396
Goodwill	15	8,755	8,512	8,838
<b>Total non-current assets</b>		<u>30,026</u>	<u>30,320</u>	<u>36,660</u>
<b>CURRENT ASSETS</b>				
Inventories	17	1,638	222	1,282
Trade receivables	18	—	—	755
Prepayments, deposits and other receivables	19	661	572	1,838
Cash and cash equivalents	20	731	196	1,861
<b>Total current assets</b>		<u>3,030</u>	<u>990</u>	<u>5,736</u>
<b>TOTAL ASSETS</b>		<u><u>33,056</u></u>	<u><u>31,310</u></u>	<u><u>42,396</u></u>
<b>NON-CURRENT LIABILITIES</b>				
Provision	24	—	310	260
Deferred tax liabilities	25	4,095	3,966	4,125
Interest-bearing bank and other borrowings	23	238	207	387
Other liabilities	26	—	—	39
<b>Total non-current liabilities</b>		<u>4,333</u>	<u>4,483</u>	<u>4,811</u>

		<b>As at 31</b>	<b>As at 31</b>	<b>As at 31</b>
		<b>December</b>	<b>December</b>	<b>December</b>
		<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>Notes</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
<b>CURRENT LIABILITIES</b>				
Trade payables	21	81	210	1,818
Other payables and accruals	22	13,577	11,940	1,572
Interest-bearing bank and other borrowings	23	60	163	233
Tax payable		—	1,022	4,924
Due to related parties	34	<u>15,201</u>	<u>12,201</u>	<u>2,430</u>
<b>Total current liabilities</b>		<u>28,919</u>	<u>25,536</u>	<u>10,977</u>
<b>NET CURRENT LIABILITIES</b>		<u>(25,889)</u>	<u>(24,546)</u>	<u>(5,241)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,137</u>	<u>5,774</u>	<u>31,419</u>
<b>EQUITY</b>				
<b>Equity attributable to owners of the parent</b>				
Issued capital	27	—	—	—
Reserves	28	<u>(66)</u>	<u>1,429</u>	<u>26,608</u>
		(66)	1,429	26,608
<b>Non-controlling interests</b>		<u>(130)</u>	<u>(138)</u>	<u>—</u>
		<u>(196)</u>	<u>1,291</u>	<u>26,608</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>33,056</u>	<u>31,310</u>	<u>42,396</u>

## Combined statements of changes in equity

	Attributable to the owners of the parent									
	Note	Issued capital premium USD'000 (Note 27)	Share premium USD'000 (Note 28(b))	Capital reserve USD'000 (Note 28(a))	Contributed surplus USD'000 (Note 28(a))	Retained	Exchange	Non-		
						earnings/ losses)	fluctuation	controlling		Total
						(Accumulated losses) USD'000	reserve USD'000	interests USD'000	equity USD'000	
<b>At 23 August 2010</b>		—	—	—	—	—	—	—	—	
Loss for the period		—	—	—	—	(116)	—	(116)	(116)	
Total comprehensive income		—	—	—	—	(116)	—	(116)	(116)	
Issue of share capital		—	—	—	50	—	—	50	50	
Acquisition of subsidiaries	29	—	—	—	—	—	—	—	(130)	
<b>At 31 December 2010 and at 1 January 2011</b>		—	—*	—*	50*	(116)*	—*	(66)	(130)	
Profit/(loss) for the year		—	—	—	—	2,407	—	2,407	(87)	
Other comprehensive income										
Exchange differences on translation of foreign operations		—	—	—	—	—	(837)	(837)	4	
Total comprehensive income		—	—	—	—	2,407	(837)	1,570	(83)	
Acquisition of non-controlling interests		—	—	(75)	—	—	—	(75)	75	
<b>At 31 December 2011</b>		—	—*	(75)*	50*	2,291*	(837)*	1,429	(138)	

	Attributable to the owners of the parent								
	Issued	Share	Capital	Contributed	Retained	Exchange		Non-	Total
	capital	premium	reserve	surplus	earnings	fluctuation	Total	controlling	equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
	(Note 27)	(note 28(b))	(note 28(a))						
<b>At 1 January 2012</b>	—	—	(75)	50	2,291	(837)	1,429	(138)	1,291
Profit/(loss) for the period	—	—	—	—	10,419	—	10,419	(15)	10,404
Other comprehensive income									
Exchange differences on translation of foreign operations	—	—	—	—	—	860	860	(2)	858
Total comprehensive income	—	—	—	—	10,419	860	11,279	(17)	11,262
Acquisition of non-controlling interests	—	—	(155)	—	—	—	(155)	155	—
Waiver of debt (note 34(b))	—	—	14,055	—	—	—	14,055	—	14,055
<b>At 31 December 2012</b>	<u>—</u>	<u>—*</u>	<u>13,825*</u>	<u>50*</u>	<u>12,710*</u>	<u>23*</u>	<u>26,608</u>	<u>—</u>	<u>26,608</u>

\* These reserve accounts comprise the combined reserves of USD26,608,000, USD1,429,000 and debit balance of USD66,000 in the combined statements of financial position as at 31 December 2012, 31 December 2011 and 31 December 2010, respectively.

## Combined statements of cash flows

	<i>Notes</i>	<b>As at 31 December 2010 USD'000</b>	<b>As at 31 December 2011 USD'000</b>	<b>As at 31 December 2012 USD'000</b>
<b>Operating activities</b>				
Profit/(loss) before tax from continuing operations		(116)	1,851	14,357
Profit before tax from discontinued operations	11	—	1,280	—
<b>Adjustments for:</b>				
Loss on disposal of items of property, plant and equipment	6	—	—	80
Depreciation	6	—	339	785
Amortisation of other intangible assets	6	—	12	42
Finance costs	7	—	33	51
Increase in trade receivables		—	—	(755)
(Increase)/decrease in prepayments, deposits and other receivables		—	89	(180)
(Increase)/decrease in inventories		(1,145)	1,416	(1,060)
Increase in trade payables		40	129	1,608
Increase/(decrease) in other payables and accruals		1,355	7,253	(1,318)
Increase/(decrease) in due to related parties		—	(3,000)	2,405
Income taxes paid		(4)	(3)	(4)
<b>Net cash flows from operating activities</b>		<u>130</u>	<u>9,399</u>	<u>16,011</u>
<b>Investing activities</b>				
Cash received relating to disposal of items of property, plant and equipment		—	—	11
Proceeds from disposal of available-for-sale investment		—	—	47
Purchase of property, plant and equipment		—	(4,170)	(7,016)
Purchase of other intangible assets		—	(732)	(17)
Purchases of available-for-sale investment		—	(47)	—
Acquisition of subsidiaries, net of cash acquired	29	551	—	—
Instalment payment in respect of prior year acquisition		—	(5,000)	(9,140)
<b>Net cash flows from/(used in) investing activities</b>		<u>551</u>	<u>(9,949)</u>	<u>(16,115)</u>
<b>Financing activities</b>				
Proceeds from issue of shares		50	—	—
Proceeds from a related party		—	—	1,656
Proceeds from interest-bearing borrowings		—	145	502
Repayment of interest-bearing borrowings		—	(71)	(310)
Interest paid		—	(33)	(31)
<b>Net cash flows from financing activities</b>		<u>50</u>	<u>41</u>	<u>1,817</u>
Net increase/(decrease) in cash and cash equivalents		731	(509)	1,713
Net foreign exchange differences		—	(26)	(48)
Cash and cash equivalents at beginning of year/period		—	731	196
<b>Cash and cash equivalents at end of year/period</b>	20	<u><u>731</u></u>	<u><u>196</u></u>	<u><u>1,861</u></u>

## Statements of financial position

*Company*

	<i>Notes</i>	<b>As at 31 December 2012 USD</b>
<b>CURRENT ASSET</b>		
Due from the immediate holding company	34	—*
<b>Total current asset</b>		—
<b>TOTAL ASSET</b>		<u>—</u>
<b>EQUITY</b>		
Issued capital	27	—*
Reserves		—
<b>Total equity</b>		<u>—</u>
<b>TOTAL EQUITY</b>		<u>—</u>

\* At the time of incorporation, one ordinary share with par value of HK\$0.01 was issued by the Company.

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. Corporate information

The Company was incorporated in the Cayman Islands on 25 April 2012 under the Companies Law of the Cayman Islands.

The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in mining, processing and exporting of iron ore and selling them to Chinese steel customers.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History and Corporate Structure" in the Prospectus.

As at the date of this report, the Group had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CAPTURE ADVANTAGE CO., LTD. (note (a))	British Virgin Islands 23 August 2010	USD50,000	100	—	Sale of iron ore
BEST SPARKLE DEVELOPMENT LTD. (note (a))	British Virgin Islands 25 August 2010	USD50,000	—	100	Investment holding
CAPTURE ADVANCE SDN. BHD. (note (b))	Malaysia 15 November 2007	Ringgit Malaysia ("RM")15,000,000	—	100	Iron ore mining and iron ore beneficiation
PACIFIC MINING RESOURCES SDN. BHD. (note (c))	Malaysia 31 August 2007	RM100	—	100	Iron ore mining and iron ore beneficiation
CHINA BRIGHT MINING LIMITED (note (d))	Hong Kong 10 April 2012	Hong Kong Dollar 100	—	100	Sale of iron ore

*Notes:*

- (a) No audited financial statements have been prepared for these entities for the years ended 31 December 2010, 2011 and 2012, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (b) The statutory financial statements of this entity for the year ended 31 December 2010 prepared under the Private Entity Reporting Standards issued by the Malaysian Accounting Standards Board (the "MASB") were audited by Moore Stephens AC, Chartered Accountants registered in Malaysia.

The statutory financial statements of this entity for the two years ended 31 December 2011 and 2012 prepared under the Malaysian Financial Reporting Standards in Malaysia were audited by Ernst & Young, Chartered Accountants registered in Malaysia.

- (c) The statutory financial statements of this entity for the period from 1 September 2009 to 31 August 2010 prepared under the Private Entity Reporting Standards issued by the MASB were audited by Ajisma & Partners, Chartered Accountants registered in Malaysia.

The statutory financial statements of this entity for the period from 1 September 2010 to 31 December 2011 prepared under the Malaysian Financial Reporting Standards in Malaysia were audited by Ernst & Young, Chartered Accountants registered in Malaysia.

The statutory financial statements of this entity for the year from 1 January 2012 to 31 December 2012 prepared under the Malaysian Financial Reporting Standards in Malaysia were audited by Ernst & Young, Chartered Accountants registered in Malaysia.

- (d) No audited financial statements have been prepared for this entity for the three years ended 31 December 2010, 2011 and 2012, as it was incorporated in April 2012.

**2.1 Basis of preparation and combination**

The Financial Information of the Group has been prepared in accordance with IFRSs (which include all International Financial Reporting Standards and Interpretations) issued by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2012 together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods.

The Financial Information has been prepared on a historical cost basis. The Financial Information is presented in United States dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Corporate Structure" to the Prospectus, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 7 April 2013 by way of share swaps with the existing shareholders of Capture Advantage Co., Ltd. ("Capture Advantage"). The share swaps have no substance and do not form a business combination, and accordingly, the Financial Information of the Company was combined with that of Capture Advantage using the predecessor carrying amounts.



The Financial Information comprises the financial statements of the Company and its subsidiaries for the period from 23 August 2010 (the date of incorporation of Capture Advantage) to 31 December 2010 and the two years ended 31 December 2011 and 2012.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the Financial Information, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully combined from the date on which control is obtained by the Group and cease to be combined from the date on which control is transferred out of the Group.

The acquisition of subsidiaries by the Group from entities other than those under common control is accounted for using the acquisition method of accounting.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the parent and are presented separately in the statements of comprehensive income and within equity in the combined statements of financial position, separated from the parent shareholders' equity.

## **2.2 Going concern**

The Group had net current liabilities of USD5,241,000 as at 31 December 2012. The Directors are of the opinion that, based on a detailed review of the working capital forecast of the Group, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Financial Information.

### 2.3 Impact of issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 1 Amendments	Amendments to IFRS1 <i>First-time Adoption of International Financial Reporting Standards — Government Loans</i> <sup>2</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities</i> <sup>2</sup>
IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 — <i>Transition Guidance</i> <sup>2</sup>
IFRS 10, IFRS 12 and IAS 27 (Revised)	Amendments to IFRS10, IFRS12 and IAS 27 ( <i>Revised</i> ) — <i>Investment Entities</i> <sup>3</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
IAS 1 Amendments	Amendments to IAS 1 <i>Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
IAS 19 (Revised)	Amendments to IAS 19 <i>Employee Benefits</i> <sup>2</sup>
IAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
Annual Improvements 2009-2011 Cycle	<i>Amendments to a number of IFRSs issued in May 2012</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 Summary of significant accounting policies

### (a) *Business combinations and goodwill*

Business combinations other than those under common control are accounted for using the acquisition method. The consideration is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group and the equity issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRSs.

Goodwill is initially measured at cost being the excess of the consideration transferred, the amount recognised for non-controlling interest and any fair value of the Group's previously held equity interests in the acquiree over the Group's net identifiable assets acquired and liabilities assumed. If the sum of this consideration and the items is lower than the fair value of the net assets acquired, the difference is after reassessment recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

**(b) *Foreign currency transactions***

The Group's Financial Information is presented in USD, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**(c) *Property, plant and equipment***

Items of property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where appropriate, of the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs.

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses. Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is reclassified to the appropriate category of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use were completed.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, taking into account its estimated residual value or it is calculated using the Units of Production (“UOP”) basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

— Mine properties	On a UOP basis
— Machinery	3-10 years
— Vehicles	3 years
— Others	3 years

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(d) ***Impairment of non-financial assets other than goodwill***

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to the asset belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(e) *Related parties*

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(f) *Intangible assets (other than goodwill)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### **Exploration rights and assets**

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.

### **Mining rights and reserves**

Mining rights and reserves are stated at cost less accumulated amortisation and any impairment losses. Mining rights and reserves include the cost of acquiring mining licences and exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights and reserves are amortised using the UOP method based on the proven and probable mineral reserves of the mines. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

### **(g) *Cash and cash equivalents***

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks with maturities of three months or less that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

For the purpose of the combined statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

During the Relevant Periods, the Group did not have any bank overdrafts.

(h) ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

(i) ***Operating leases***

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

(j) ***Investments and other financial assets***

*Initial recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.



*Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**(k) *Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**(l) *Impairment of financial assets***

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

*Available-for-sale investments*

For available-for-sale investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment

loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

(m) ***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings and amounts due to related parties.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(n) ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

(o) *Provision*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in “finance costs” in profit or loss.

(p) *Income tax*

Income tax comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) When the taxable temporary difference is associated with investments in subsidiaries, associates and joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(q) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(ii) *Rendering of services*

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

(iii) *Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

### 3. Significant accounting judgements and estimates

The preparation of the Financial Information in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the Financial Information and accompanying notes. Actual results could differ from those estimates.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the combined financial statements:

**(a) *Impairment of assets***

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

**(b) *Income taxes***

Significant judgement is involved in determining the Group-wide tax provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome for these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the combined financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**(a) *Going concern***

The Group determines whether sufficient working capital will be available in the foreseeable future at least at the end of each reporting period. This requires an estimation of a number of key projections, including the projected revenue, budgeted gross margins, changes in the cost of sales and future price inflation, etc. Estimating the above data used in the key projections requires the management of the Group to make estimates about the future and is accordingly, subject to uncertainty. Further details are given in note 2.2.

**(b) *Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was USD8,838,000, USD8,512,000 and USD8,755,000 at 31 December 2012, 2011 and 2010, respectively. Further details are given in note 15.

**(c) *Impairment of mining and exploration assets and property, plant and equipment***

The carrying value of mining and exploration assets and property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of mining and exploration assets was USD17,223,000, USD16,579,000 and USD20,030,000 at 31 December 2012 and 2011 and 2010, respectively. The carrying amount of property, plant and equipment was USD10,203,000, USD4,741,000 and USD992,000 at 31 December 2012, 2011 and 2010, respectively.

**(d) *Rehabilitation provision***

The Group recognises the provisions for the rehabilitation of each site. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination and the timing, extent and costs of required rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statements of financial position by adjusting both the rehabilitation asset and provision. Such changes give rise to a change in future depreciation and financial charges. For closed sites, changes to estimated future costs are recognised immediately in profit or loss.



#### 4. Segment information

For management purposes, the Group has been operating in one segment, which is iron ore mining and processing in Malaysia. No further operating segment analysis is presented thereon.

#### Geographical information

##### (a) Revenue from external customers

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
People's Republic of China	6,865	26,954	48,472
Malaysia	—	266	5,851
	<u>6,865</u>	<u>27,220</u>	<u>54,323</u>

The revenue information from continuing operations above is based on the locations of the customers.

##### (b) Non-current assets

Since all the non-current assets from continuing operations, other than deferred tax assets and financial instruments of the Group are located in Malaysia, no geographical information for non-current assets is presented.

#### Information about major customers

For the period from 23 August 2010 to 31 December 2010, revenue generated from the only one customer amounting to USD6,865,000 had accounted for over 10% of the Group's total revenue.

For the year ended 31 December 2011, revenue generated from four of the Group's customers amounting to USD10,505,000, USD9,994,000, USD6,373,000 and USD3,489,000, respectively, had individually accounted for over 10% of the Group's total revenue.

For the year ended 31 December 2012, revenue generated from two of the Group's customers amounting to USD20,952,000, and USD17,882,000 respectively, had individually accounted for over 10% of the Group's total revenue.

**5. Revenue**

Revenue represents the net invoiced value of goods sold, the values of service rendered, net of trade discounts and returns and various types of government surcharges, where applicable. There were no trade discounts or returns during the Relevant Periods.

An analysis of revenue from continuing operations is as follows:

	<b>For the period From 23 August to 31 December</b>		
	<b>2010</b> <i>USD'000</i>	<b>2011</b> <i>USD'000</i>	<b>2012</b> <i>USD'000</i>
Sales of goods	6,865	26,954	49,986
Rendering of services	—	266	4,337
	<u>6,865</u>	<u>27,220</u>	<u>54,323</u>

**6. Profit/(loss) before tax**

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

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b> <i>USD'000</i>	<b>2011</b> <i>USD'000</i>	<b>2012</b> <i>USD'000</i>
Cost of inventories sold	6,201	19,305	27,925
Cost of services provided	—	265	4,322
Auditors' remuneration	—	111	359
Employee benefit expense (excluding directors' remuneration (note 8))	32	332	796
Minimum lease payments in respect of:			
Land	—	62	109
Machine	73	105	162
Office	11	66	73
	<u>84</u>	<u>233</u>	<u>344</u>

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Depreciation (note 13)	—	339	785
Amortisation of other intangible assets (note 14)*	—	12	42
Loss on disposal of items of property, plant and equipment	—	—	80
Foreign currency losses/(gains)	—	(208)	154
	<u>—</u>	<u>(208)</u>	<u>154</u>

\* The amortisation of other intangible assets is included in "Cost of sales" in the combined statements of comprehensive income.

## 7. Finance costs

An analysis of finance costs from continuing operations is as follows:

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Other finance costs:			
Increase in discounted amounts of provisions arising from the passage of time (note 24)	—	19	20
Interest on bank loans	—	14	31
	<u>—</u>	<u>33</u>	<u>51</u>

**8. Directors' and chief executive's remuneration**

Directors' remuneration for the Relevant Periods, as disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Salaries, allowances and benefits in kind	<u>36</u>	<u>111</u>	<u>129</u>

**(a) Independent non-executive directors**

Mr. Kong Chi Mo, Dr. Li Zhongquan and Dr. Wang Ling were appointed as independent non-executive directors of the Company on 12 April 2013.

The fees paid to independent non-executive directors during the Relevant Periods were as following:

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Mr. Kong Chi Mo	—	—	—
Dr. Li Zhongquan	—	—	—
Dr. Wang Ling	<u>—</u>	<u>—</u>	<u>3</u>
	<u>—</u>	<u>—</u>	<u>3</u>

(b) *Executive directors*

In respect of individuals, who act as executive directors of the Company as at the date of this report, the remuneration from the Group during each of the Relevant Periods is as follows:

	<b>For the period from 23 August to 31 December 2010</b>	
	<b>Salaries, allowances and benefits in kind</b>	<b>Total remuneration</b>
	<i>USD'000</i>	<i>USD'000</i>
Li Yang*	6	6
Dong Jie	4	4
Gong Maoqing	4	4
Wang Er	12	12
Li Xiaolan	10	10
Total	<u>36</u>	<u>36</u>

	<b>2011</b>	
	<b>Salaries, allowances and benefits in kind</b>	<b>Total remuneration</b>
	<i>USD'000</i>	<i>USD'000</i>
Li Yang*	31	31
Dong Jie	4	4
Gong Maoqing	3	3
Wang Er	36	36
Li Xiaolan	37	37
Total	<u>111</u>	<u>111</u>

	<b>2012</b>	
	<b>Salaries, allowances and benefits in</b>	
	<b>kind</b>	<b>Total remuneration</b>
	<i>USD'000</i>	<i>USD'000</i>
Li Yang*	38	38
Dong Jie	9	9
Gong Maoqing	7	7
Wang Er	36	36
Li Xiaolan	36	36
Total	<u>126</u>	<u>126</u>

\* Li Yang who acts as an executive director of the Company is also the chief executive officer of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

#### 9. Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the Relevant Periods is as follows:

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
Directors	2	3	3
Employees	<u>3</u>	<u>2</u>	<u>2</u>

Details of the remuneration of non-director, highest paid employees for the Relevant Periods were as follows:

	<b>For the period from 23 August to 31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Salaries, allowances and benefits in kind	<u>45</u>	<u>66</u>	<u>64</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees		
	For the period from 23 August to 31 December		
	2010	2011	2012
Nil to Hong Kong dollar 1,000,000	<u>3</u>	<u>2</u>	<u>2</u>

#### 10. Income tax

Malaysia profits tax has been provided at the rate of 25% on the estimated assessable profits arising in Malaysia during the Relevant Periods.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The major components of income tax expense for the Relevant Periods are:

	For the period from 23 August to 31 December		
	2010	2011	2012
	USD'000	USD'000	USD'000
<b>Group:</b>			
Current — Hong Kong	—	—	1,977
Current — Malaysia	—	862	1,924
Deferred (note 25)	<u>—</u>	<u>(211)</u>	<u>52</u>
<b>Total tax charge for the year/period</b>	<u>—</u>	<u>651</u>	<u>3,953</u>

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

*For the period from 23 August 2010 to 31 December 2010*

	<b>Malaysia</b>	
	<i>USD'000</i>	<i>%</i>
Loss before tax from continuing operations	<u>(116)</u>	
Tax benefit at the statutory tax rate	(29)	(25.0)
Tax losses not recognised (note 25)	<u>29</u>	<u>25.0</u>
Tax charge at the Group's effective rate	<u>—</u>	<u>—</u>

*For the year ended 31 December 2011*

	<b>Malaysia</b>	
	<i>USD'000</i>	<i>%</i>
Profit before tax from continuing operations	<u>1,851</u>	
Tax at the statutory tax rate	463	25.0
Tax losses not recognised (note 25)	157	8.5
Income not subject to tax	(50)	(2.7)
Expenses not deductible for tax	<u>81</u>	<u>4.4</u>
Tax charge at the Group's effective rate	<u>651</u>	<u>35.2</u>

*For the year ended 31 December 2012*

	<b>Malaysia</b>		<b>Hong Kong</b>		<b>Total</b>	
	<i>USD'000</i>	<i>%</i>	<i>USD'000</i>	<i>%</i>	<i>USD'000</i>	<i>%</i>
Profit before tax from continuing operations	<u>3,597</u>		<u>10,760</u>		<u>14,357</u>	
Tax at the statutory tax rate	899	25.0	1,775	16.5	2,674	18.6
Effect of intra-group transactions in different jurisdictions	1,018	28.2	—	—	1,018	7.1
Tax losses not recognised (note 25)	45	1.3	—	—	45	0.3
Expenses not deductible for tax	<u>14</u>	<u>0.4</u>	<u>202</u>	<u>1.9</u>	<u>216</u>	<u>1.5</u>
Tax charge at the Group's effective rate	<u>1,976</u>	<u>54.9</u>	<u>1,977</u>	<u>18.4</u>	<u>3,953</u>	<u>27.5</u>



**11. Discontinued operations**

On 18 March 2011, the Group announced the decision of its board of directors to dispose of two mines – Besol Mine and Talam Mine operated by one of the subsidiaries of the Group. The disposal of Besol Mine and Talam Mine was completed on 15 April 2011. The results of Besol Mine and Talam Mine for the Relevant Periods are presented below:

	<b>For the period from 23 August to 31 December 2010</b>	<b>2011</b>
	<i>USD'000</i>	<i>USD'000</i>
Revenue	—	7,117
Cost of sales	—	<u>(4,272)</u>
Gross profit	—	2,845
Expenses	—	<u>(1,565)</u>
Profit before tax from the discontinued operations	—	1,280
Income tax	—	<u>(160)</u>
Profit from the discontinued operations	<u>—</u>	<u>1,120</u>

\* Besol Mine and Talam Mine belonged to Capture Advance Sdn. Bhd. (“Capture Advance”) which was acquired by the Group on 26 December 2010 (Note 29).

The net cash flows incurred by the discontinued operations are as follows:

	<b>For the period from 23 August to 31 December 2010</b>	<b>2011</b>
	<i>USD'000</i>	<i>USD'000</i>
Operating activities	—	<u>1,120</u>
Net cash flow	<u>—</u>	<u>1,120</u>

**12. Earning per share**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the reorganization and the basis of the Financial Information for the Relevant Periods as disclosed in note 2.1 above.

## 13. Property, plant and equipment

	Mine properties <i>USD'000</i>	Machinery <i>USD'000</i>	Vehicles <i>USD'000</i>	Others <i>USD'000</i>	Construction in progress <i>USD'000</i>	Total <i>USD'000</i>
<b>Cost</b>						
<b>At 23 August 2010</b>	—	—	—	—	—	—
Acquisition of subsidiaries (note 29)	3	622	361	6	—	992
<b>At 31 December 2010</b>	3	622	361	6	—	992
Additions	1,245	2,790	69	—	66	4,170
Exchange realignment	(15)	(80)	(13)	(1)	(1)	(110)
<b>At 31 December 2011</b>	1,233	3,332	417	5	65	5,052
Additions	94	1,553	26	1	4,443	6,117
Disposals	(70)	(12)	(213)	—	—	(295)
Transfers	176	3,590	—	—	(3,766)	—
Exchange realignment	50	229	13	—	16	308
<b>At 31 December 2012</b>	<u>1,483</u>	<u>8,692</u>	<u>243</u>	<u>6</u>	<u>758</u>	<u>11,182</u>
<b>Accumulated depreciation</b>						
<b>At 23 August and 31 December 2010</b>	—	—	—	—	—	—
Charge for the year	9	215	111	4	—	339
Exchange realignment	—	(24)	(4)	—	—	(28)
<b>At 31 December 2011</b>	9	191	107	4	—	311
Charge for the year	35	701	48	1	—	785
Disposals	—	(12)	(123)	—	—	(135)
Exchange realignment	1	16	1	—	—	18
<b>At 31 December 2012</b>	<u>45</u>	<u>896</u>	<u>33</u>	<u>5</u>	<u>—</u>	<u>979</u>
<b>Net carrying amount</b>						
At 31 December 2010	<u>3</u>	<u>622</u>	<u>361</u>	<u>6</u>	<u>—</u>	<u>992</u>
At 31 December 2011	<u>1,224</u>	<u>3,141</u>	<u>310</u>	<u>1</u>	<u>65</u>	<u>4,741</u>
At 31 December 2012	<u>1,438</u>	<u>7,796</u>	<u>210</u>	<u>1</u>	<u>758</u>	<u>10,203</u>

The net carrying amounts of the Group's fixed assets included in the total amounts of vehicles and machinery approximately amounted to USD692,000, USD310,000 and USD361,000 were pledged to secure bank borrowings to the Group (note 23) at 31 December 2012, 31 December 2011 and 31 December 2010, respectively.

## 14. Other intangible assets

	<b>Mining and exploration assets</b>
	<i>USD'000</i>
<b>Cost</b>	
At 23 August 2010	—
Acquisition of subsidiaries (note 29)	<u>20,030</u>
At 31 December 2010	<u>20,030</u>
Disposal	(3,700)
Additions	732
Exchange realignment	<u>(481)</u>
At 31 December 2011	<u>16,581</u>
Additions	17
Exchange realignment	<u>669</u>
At 31 December 2012	<u><u>17,267</u></u>
<b>Accumulated amortisation</b>	
At 23 August 2010 and at 31 December 2010	—
Recognised during the year	12
Disposal	<u>(10)</u>
At 31 December 2011	2
Recognised during the year	<u>42</u>
At 31 December 2012	<u><u>44</u></u>
<b>Net carrying amount</b>	
At 31 December 2010	<u>20,030</u>
At 31 December 2011	<u>16,579</u>
At 31 December 2012	<u><u>17,223</u></u>

**15. Goodwill**

	<i>USD'000</i>
Cost at 23 August 2010	—
Acquisition of subsidiaries (note 29)	<u>8,755</u>
Cost and net carrying amount at 31 December 2010	<u>8,755</u>
Exchange realignment	<u>(243)</u>
Cost and net carrying amount at 31 December 2011	<u>8,512</u>
Exchange realignment	<u>326</u>
Cost and net carrying amount at 31 December 2012	<u>8,838</u>

**Impairment testing of goodwill**

Goodwill acquired through business combinations has been allocated to the iron ore cash-generating unit for impairment testing:

*Ibam Mine cash-generating unit*

The recoverable amount of Ibam Mine has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 17.1% (2011: 17.6%; 2010: 17.4%). The growth rate used to extrapolate the cash flows of the iron ore cash-generating unit beyond the five-year period is 3% (2011: 3%; 2010: 3%).

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

**Budgeted gross margins** — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

**Discount rates** — The discount rates used are before tax and reflect specific risks relating to the relevant units.

**16. Available-for-sale investment**

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Unlisted equity investment, at cost	<u>—</u>	<u>47</u>	<u>—</u>

In July 2011, Pacific Mining Resources Sdn. Bhd. ("Pacific Mining") became the legal and registered owner of 50% of the ordinary shares in Gema Impak Sdn. Bhd. ("Gema Impak") at a consideration of RM150,000 (equivalent to USD47,000). Pacific Mining held such interest as nominee for and on behalf of three third party individuals on a pro-rata basis. Accordingly, Pacific Mining is not entitled to any beneficial interests nor to exercise any rights as a shareholder of Gema Impak as provided under the Memorandum and Articles of Association of Gema Impak.

In view of the above, the directors are of the opinion that the cost is properly presented as an available-for-sale investment and its fair value cannot be measured reliably and accordingly is measured at cost.

On 24 April 2012, Pacific Mining ceased to be the nominee shareholder in Gema Impak and the original cost of RM150,000 was paid by Li Yang to Pacific Mining.

#### 17. Inventories

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Raw materials	—	—	65
Work in progress	—	53	—
Finished goods	1,638	169	1,217
	<u>1,638</u>	<u>222</u>	<u>1,282</u>

#### 18. Trade receivables

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Trade receivables	—	—	755
	<u>—</u>	<u>—</u>	<u>755</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Within three months	<u>—</u>	<u>—</u>	<u>755</u>

The aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Neither past due nor impaired	<u>—</u>	<u>—</u>	<u>755</u>

Receivables that were neither past due nor impaired relate to corporate customers for whom there was no recent history of default.

#### 19. Prepayments, deposits and other receivables

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Other receivables	14	83	647
Income tax receivable	4	7	11
Deposits and prepayments	<u>643</u>	<u>482</u>	<u>1,180</u>
	<u>661</u>	<u>572</u>	<u>1,838</u>

#### 20. Cash and cash equivalents

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Cash and bank balances	<u>731</u>	<u>196</u>	<u>1,861</u>

The balances can be analysed as follows:

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Denominated in:			
— RM	551	138	181
— USD	<u>180</u>	<u>58</u>	<u>1,680</u>
	<u><u>731</u></u>	<u><u>196</u></u>	<u><u>1,861</u></u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. There is no restriction on the use of cash at banks.

## 21. Trade payables

An aged analysis of trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Within 30 days	<u>81</u>	<u>210</u>	<u>1,818</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

## 22. Other payables and accruals

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Other payables	12,989	10,235	1,141
Advances from customers	588	1,502	—
Accruals	—	161	359
Payroll and welfare payable	<u>—</u>	<u>42</u>	<u>72</u>
	<u><u>13,577</u></u>	<u><u>11,940</u></u>	<u><u>1,572</u></u>

## 23. Interest-bearing bank and other borrowings

	31 December								
	2010			2011			2012		
	<i>Effective interest rate</i>	<i>Maturity</i>	<i>USD'000</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>USD'000</i>	<i>Effective interest rate</i>	<i>Maturity</i>	<i>USD'000</i>
(%)			(%)			(%)			
<b>Current</b>									
Current portion of long term bank loans - secured	5.15-6.36	2011	60	4.92-6.36	2012	70	4.92-7.54	2013	38
Other borrowings - secured	—	—	—	8.00	2012	93	4.92-7.54	2013	195
			<u>60</u>			<u>163</u>			<u>233</u>
<b>Non-current</b>									
Bank loans - secured	5.15-6.36	2012-2017	238	4.92-6.36	2013-2017	207	4.92-7.54	2014-2017	99
Other borrowings - secured	—	—	—	—	—	—	4.92-7.54	2014-2017	288
			<u>238</u>			<u>207</u>			<u>387</u>
			<u>298</u>			<u>370</u>			<u>620</u>

	31 December		
	2010	2011	2012
	USD'000	USD'000	USD'000
Analysed into:			
Bank loans repayable:			
Within one year	60	70	38
In the second year	63	74	38
In the third to fifth years, inclusive	160	126	61
Beyond five years	15	7	—
	<u>298</u>	<u>277</u>	<u>137</u>
Other borrowings repayable:			
Within one year	—	93	195
In the second year	—	—	160
In the third to fifth years, inclusive	—	—	128
	<u>—</u>	<u>93</u>	<u>483</u>
	<u>298</u>	<u>370</u>	<u>620</u>

Certain of the Group's bank loans are utilised to purchase vehicles and machinery and secured by the pledge of vehicle registration cards.



**24. Provision**

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Provision for rehabilitation			
At beginning of year/period	—	—	310
Additional provision	—	291	—
Change in discount rate	—	—	(70)
Increase in discounted amounts arising from the passage of time	—	19	20
At end of year/period	<u>—</u>	<u>310</u>	<u>260</u>

The provision is related to mine site for rehabilitation, and is based on the best estimate for future expenditure to be made by the Group and was discounted to its net present value. The discount rate adopted reflected the current market assessments of the time value of money and the risks specific to the provision. Subsequently, the provision for rehabilitation will be increased each year by the accretion of interest due to the passage of time which is recognised as interest expense.

**25. Deferred tax**

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

***Deferred tax liabilities***

	<b>Fair value adjustments arising from acquisition of subsidiaries</b>
	<i>USD'000</i>
At 23 August 2010	—
Acquisition of subsidiaries (note 29)	<u>4,095</u>
At 31 December 2010 and 1 January 2011	<u>4,095</u>
Credited to the statement of comprehensive income during the year	(8)
Exchange differences	<u>(121)</u>
At 31 December 2011 and 1 January 2012	<u>3,966</u>
Credited to the statement of comprehensive income during the year	(9)
Exchange differences	<u>168</u>
At 31 December 2012	<u>4,125</u>

*Deferred tax assets*

	Fair value adjustments arising from acquisition of subsidiaries <i>USD'000</i>	Tax losses and unabsorbed capital allowances <i>USD'000</i>	Total <i>USD'000</i>
At 23 August 2010	—	—	—
Acquisition of subsidiaries (note 29)	<u>137</u>	<u>112</u>	<u>249</u>
At 31 December 2010 and 1 January 2011	<u>137</u>	<u>112</u>	<u>249</u>
(Charged)/credited to the statement of comprehensive income during the year	(31)	234	203
Exchange differences	<u>(4)</u>	<u>(7)</u>	<u>(11)</u>
At 31 December 2011 and 1 January 2012	<u>102</u>	<u>339</u>	<u>441</u>
(Charged)/credited to the statement of comprehensive income during the year	(31)	(30)	(61)
Exchange differences	<u>3</u>	<u>13</u>	<u>16</u>
At 31 December 2012	<u>74</u>	<u>322</u>	<u>396</u>

Deferred tax assets have not been recognised in respect of the following item:

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Tax losses not recognised (note 10)	<u>29</u>	<u>157</u>	<u>45</u>

The above tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

**26. Other liabilities**

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Long-term payables	(i) <u>—</u>	<u>—</u>	<u>39</u>

(i) Long-term payables related to the instalments for the purchase of vehicle.

**27. Issued capital**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 25 April 2012. At the time of incorporation, one ordinary share with par value of HK\$ 0.01 was issued by the Company.

**28. Reserves**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the combined statements of changes in equity on pages 6 to 7 of the accountants' report.

*(a) Contributed surplus*

On 23 August 2010, Capture Advantage was incorporated in the British Virgin Islands with the issue and allotment of ordinary shares of 50,000 with par value of USD1, which was recognised in the contributed surplus in the combined financial statements.

*(b) Capital reserve*

On 18 July 2011 and 25 June 2012, the Group acquired additional 19% and 30% of the non-controlling interests in Pacific Mining, respectively. The differences between the considerations and net assets attributable to the additional shares acquired were accounted for in the capital reserve.

On 13 March 2012, Capture Acme Co., Ltd. (whose sole shareholder was the father of the controlling shareholder of the Group) was de-registered and accordingly the payable to Capture Acme Co., Ltd. by the Group for USD981,000 was reversed and recognised as the capital reserve.

On 6 August 2012, the Group and Chengdu Hande Investment Co., Ltd. ("Chengdu Hande") agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged the Group's liability and obligation in respect of debts in full, amounting to USD13,074,000 as at 31 July 2012 and recognised as the capital reserve.

**29. Business combination**

On 26 October 2009, Pacific Mining and Gema Impak entered into a mining agreement (the "Mining Agreement"), pursuant to which Gema Impak contracted Pacific Mining to carry out mining of iron ore at Ibam Mine with full and exclusive authority subject to the terms and conditions of the Mining Agreement. Under the Mining Agreement, Pacific Mining is allowed without conditions to appoint any third parties to carry out the mining works on its behalf and the right to extract the iron ore from Ibam Mine shall not be granted by Gema Impak to any other parties.

Through a Deed of Appointment entered into between Pacific Mining and Capture Advance effective from 1 January 2010, Capture Advance was appointed as the contractor to manage, supervise, conduct and carry out mining activities at Ibam Mine.

On 22 December 2010, the Group finalized the acquisition of 100% equity interests in Capture Advance, an unlisted company based in Malaysia and specialising in iron ore mining and iron ore beneficiation. On 26 December 2010, the Group entered into a share sale and purchase agreement with Chengdu Hande whereby the Group acquired 51% equity interests in Chengdu Hande's subsidiary, Pacific Mining.

The acquisitions of Pacific Mining and Capture Advance were made as part of the Group's strategy to acquire the mining business operating at Ibam Mine and were regarded as one business acquisition completed on 26 December 2010.

The Group has elected to measure the non-controlling interests in Pacific Mining at the non-controlling interests' proportionate share of Pacific Mining's identifiable net liabilities.

The fair values of the identifiable assets and liabilities of Capture Advance and Pacific Mining as at the date of acquisition were as follows:

	<i>Notes</i>	<b>Fair value recognised on acquisition</b> <i>USD'000</i>
<b>Assets</b>		
Cash and cash equivalents		551
Inventories		493
Prepayments, deposits and other receivables		1,165
Deferred tax assets	25	249
Property, plant and equipment	13	992
Other intangible assets	14	<u>20,030</u>
		<u>23,480</u>
<b>Liabilities</b>		
Trade payables		(41)
Other payables and accruals		(153)
Interest-bearing bank and other borrowings		(297)
Due to related parties		(6,939)
Deferred tax liabilities	25	<u>(4,095)</u>
		<u>(11,525)</u>
Total identifiable net assets at fair value		<u>11,955</u>
Non-controlling interests		130
Goodwill arising on acquisition	15	<u>8,755</u>
Purchase consideration *		<u><u>20,840</u></u>

\* Out of the total consideration of USD20,840,000, USD8,000,000 was payable to Chengdu Hande and the remaining USD12,840,000 was payable to third parties.

The fair values and gross contractual amounts of the other receivables as at the date of acquisition amounted to USD1,165,000.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	<i>USD'000</i>
Purchase consideration	20,840
Add: cash and bank balances acquired	551
Less: unpaid consideration	<u>(20,840)</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>551</u>

Subsequent to the acquisition, Capture Advance and Pacific Mining contributed nil to the Group's turnover and to the combined loss for the period from 23 August 2010 to 31 December 2010.

Had the combination taken place from 23 August 2010, the revenue from continuing operations of the Group and the loss of the Group for the period ended 31 December 2010 would have been USD13,591,000 and USD153,000, respectively.

### 30. Major non-cash transactions

- (i) As detailed in note 11, the Company disposed of two mines Besol Mine and Talam Mine, to settle USD3,700,000 of the consideration owing for the purchase of Capture Advance and Pacific mining, as detailed in note 29.
- (ii) Capture Acme Co., Ltd. (whose sole shareholder was the father of the controlling shareholder of the Group) was de-registered on 13 March 2012 and accordingly the payable to Capture Acme Co., Ltd. by the Group for USD981,000 was reversed and recognised as the capital reserve.
- (iii) On 6 August 2012, the Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged the Group's liability and obligation in respect of debts in full, amounting to USD13,074,000 as at 31 July 2012 and recognised it as the capital reserve.

### 31. Contingent liabilities

During the Relevant Periods, a subsidiary of the Group stored diesel at Ibam Mine without a valid scheduled controlled item permit, which is an offence under section 21 of Control of Suppliers Act 1961 of Malaysia. If convicted, the subsidiary of the Group shall be liable to a fine not exceeding RM250,000 and for subsequent offence, to a fine not exceeding RM500,000.

The subsidiary of the Group has obtained the scheduled controlled item permit which is valid from 5 June 2012 to 4 June 2013 in respect of Ibam Mine and obtained the renewed permit on 12 June 2013 with validation period from 12 June 2013 to 11 June 2014. The Directors, based on the advice of the legal advisers to the Company as to Malaysian laws upon their enquiry made with the relevant authority, are of the opinion that the relevant authority will not normally proceed to prosecute or fine the subsidiary, and accordingly the Group has not provided for any claim arising from such potential prosecution or fine.

### 32. Operating lease arrangements

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

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

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Within one year	152	118	157
After one year but within five years	<u>137</u>	<u>21</u>	<u>275</u>
	<u>289</u>	<u>139</u>	<u>432</u>

### 33. Commitments

In addition to the operating lease commitments detailed in note 32 above, the Group had the following commitments at the end of each of Relevant Periods:

#### a. *Capital commitment*

The Group had the following capital commitments:

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Authorised, but not contracted for	<u>—</u>	<u>65,768</u>	<u>80,900</u>

**b. *Other commitments — mining fee***

The Group has agreed to pay a mining fee of RM40 to Gema Impak (equivalent to approximately USD13.1) per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance (pursuant to the Deed of Appointment) resulting from the mining activities at the Ibam Mine extracted from the mine.

**c. *Other commitments — service fee***

Pursuant to the mining sub-contract in relation to Ibam mine entered into between the Group and the mining contractor, a third party, which is effective from 18 December 2010 and continues to be effective until the expiry of the mining lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the mining sub-contract, the mining sub-contract provides that the mining contractor shall mine and produce a minimum of 100 Kt of clean iron ore per month and shall crush the iron ore to a specified size before delivery to the Group. The service fee for the mining contractor is calculated based on the (i) volume of iron ore extracted multiplied by a fixed rate of RM36 (equivalent to approximately USD11.77) per tonne; and (ii) volume of crushing works multiplied by a fixed rate of RM14 (equivalent to approximately USD4.58) per tonne. In the event that the Group provides the mining contractor with the necessary machinery or equipment for its works, the fixed rate of payment shall be reduced to RM25 (equivalent to approximately USD8.17) per tonne of iron ore extracted and RM10.2 (equivalent to approximately USD3.34) per tonne of crushing works.

**d. *Other commitments — monthly payable to original shareholders of Gema Impak***

On 20 March 2013, Norhayati Binti Talib, Bazira Binti Bakar and Mohd Norhisham Bin Mohamed Hashim (the “Original Shareholders”) of Gema Impak and the Company’s subsidiary Pacific Mining have agreed to an arrangement (the “Protection Enhancement Arrangement”) which would take effect from 20 March 2013 with details disclosed in paragraph ii of note 36.

**34. Balances and transactions with related parties**

(a) The Group had the following transactions with related parties during the Relevant Periods:

	<i>Note</i>	<b>Group</b>			<b>Company</b>
		<b>For the period from 23 August to 31 December</b>			
		<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2012</b>
		<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD</i>
Chengdu Hande *					
Consideration for the acquisition of a 51% share in Pacific Mining and a 100% share in Capture Advance	(iii)	8,000	—	—	—
Service fees	(i)	136	632	—	—
Capture Acme Co., Ltd.**					
Purchase of assets	(ii)	981	—	—	—
Li Yang ***					
Consideration for sale of 50% shares in Gema Impak	(iii)	—	—	47	—
Palace Grace Ltd.**					
Loan to Capture Advantage		—	—	1,656	—
Cosmo Field Holdings Limited ****					
Consideration for the one share of the Company		—	—	—	—

\* The single largest shareholder of Chengdu Hande is the father of the controlling shareholder of the Group.

\*\* Capture Acme Co., Ltd. and Palace Grace Ltd. were controlled by the father of the controlling shareholder of the Group.

\*\*\* Li Yang is the controlling shareholder of the Group.

\*\*\*\* Cosmo Field Holdings Limited ("Cosmo Field") is wholly owned by Mr. Li Yang.

(i) The service fees were charged to the Group according to a price mutually agreed.

(ii) The purchase was made according to a price mutually agreed.

(iii) The considerations were mutually agreed.



(b) Outstanding balances with related parties:

*Group*

Due to related parties

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Capture Acme Co., Ltd.	981	981	—
Palace Grace Ltd.	—	—	1,656
Chengdu Hande	<u>14,220</u>	<u>11,220</u>	<u>774</u>
	<u>15,201</u>	<u>12,201</u>	<u>2,430</u>

Capture Acme Co., Ltd. (whose sole shareholder was the father of the controlling shareholder of the Group) was de-registered on 13 March 2012 and accordingly the payable to Capture Acme Co., Ltd. by the Group for USD981,000 was reversed and recognised as the capital reserve.

On 6 August 2012, the Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged the Group's liability and obligation in respect of debts in full, amounting to USD13,074,000 as at 31 July 2012 and recognised it as the capital reserve. The Directors are of the opinion that the fund comes from the shareholders of the Group.

*Company*

Due from the immediate holding company

	<b>31 December</b>
	<b>2012</b>
	<i>USD</i>
Cosmo Field	—
	<u>—</u>
	<u>—</u>

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	<b>For the period from 23 August to 31 December 2010</b>	<b>2011</b>	<b>2012</b>
Short term employee benefits	<u>57</u>	<u>209</u>	<u>227</u>
Total compensation paid to key management personnel	<u>57</u>	<u>209</u>	<u>227</u>

Further details of directors' emoluments are included in note 8 to the Financial Information.

### 35. Financial risk management objectives and policies

The financial assets of the Group mainly include cash and cash equivalents, trade receivables and prepayments, deposits and other receivables, which arise directly from its operations. Financial liabilities of the Group mainly include interest-bearing bank and other borrowings, trade payables, other payables and amounts due to related parties.

Risk management is carried out by the finance department which is led by the Group's executive directors. The Group's finance department identifies and evaluates financial risks in close co-operation with the Group's operating units. The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board of directors regularly reviews these risks and they are summarised below.

#### *Credit risk*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, trade receivables and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty.

At 31 December 2012, the Group had certain concentrations of credit risk as 100% of the Group's trade receivables were due from the Group's second largest customer.

*Liquidity risk*

The Group monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank loans and advances from related parties.

The maturity profile of the Group's financial liabilities at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

<b>31 December 2010</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Trade payables	—	81	—	—	—	81
Interest-bearing bank and other borrowings	—	19	56	249	16	340
Other payables	12,989	—	—	—	—	12,989
Due to related parties	15,201	—	—	—	—	15,201
	<u>28,190</u>	<u>100</u>	<u>56</u>	<u>249</u>	<u>16</u>	<u>28,611</u>
<b>31 December 2011</b>	<b>On Demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Trade payables	—	210	—	—	—	210
Interest-bearing bank and other borrowings	—	54	130	217	7	408
Other payables	10,277	—	—	—	—	10,277
Due to related parties	12,201	—	—	—	—	12,201
	<u>22,478</u>	<u>264</u>	<u>130</u>	<u>217</u>	<u>7</u>	<u>23,096</u>

31 December 2012	On Demand <i>USD'000</i>	Less than 3 months <i>USD'000</i>	3 to 12 months <i>USD'000</i>	1 to 5 years <i>USD'000</i>	Beyond 5 years <i>USD'000</i>	Total <i>USD'000</i>
Trade payables	—	1,818	—	—	—	1,818
Interest-bearing bank and other borrowings	—	68	197	414	—	679
Other payables	1,213	—	—	—	—	1,213
Due to related parties	2,430	—	—	—	—	2,430
Other liabilities	—	—	—	39	—	39
	<u>3,643</u>	<u>1,886</u>	<u>197</u>	<u>453</u>	<u>—</u>	<u>6,179</u>

### *Foreign currency risk*

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RM exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RM rate %	Increase/ (decrease) in profit/(loss) before tax <i>USD'000</i>
31 December 2010		
If the US dollar weakens against RM	5%	280
If the US dollar strengthens against RM	(5%)	(280)
31 December 2011		
If the US dollar weakens against RM	5%	320
If the US dollar strengthens against RM	(5%)	(320)
31 December 2012		
If the US dollar weakens against RM	5%	503
If the US dollar strengthens against RM	(5%)	(503)

*Fair values*

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values at the end of each of the Relevant Periods.

*Capital management*

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Relevant Periods.

The Group is currently funding its capital expenditure through internally generated funds from its operations. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	<b>31 December</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Trade payables	81	210	1,818
Interest-bearing bank and other borrowings	298	370	620
Other payables and accruals	13,557	11,940	1,572
Due to related parties	15,201	12,201	2,430
Other liabilities	—	—	39
Less: cash and cash equivalents	<u>(731)</u>	<u>(196)</u>	<u>(1,861)</u>
Net debt	28,406	24,525	4,618
Total capital	<u>(196)</u>	<u>1,291</u>	<u>26,608</u>
Capital and net debt	<u>28,210</u>	<u>25,816</u>	<u>31,226</u>
Gearing ratio	<u>101%</u>	<u>95%</u>	<u>15%</u>

**36. Events after the Relevant Periods**

- (i) On 20 March 2013, the Original Shareholders and Pacific Mining have agreed to the Nominee Agreement pursuant to which, Pacific Mining agreed to become the nominee holder of the 50% shareholding interest in Gema Impak for the Original Shareholders on a pro-rata basis on 20 March 2013.
- (ii) On 20 March 2013, the Original Shareholders and Pacific Mining have agreed to the Protection Enhancement Arrangement which would take effect from 20 March 2013, according to which Pacific Mining shall be entitled to exercise the voting rights in relation to matters related solely to Ibam Mine according to its own wish and shall not be bound to take instructions or take into account the views and interests of the Original Shareholders in exercising the voting rights.

The Original Shareholders shall make best endeavours in providing assistance and cooperation in respect of Gema Impak's renewal of the mining lease and the relevant licences and dealing with governmental authority, which are related to Ibam Mine.

Pacific Mining shall pay a monthly payment, being RM50,000 in total per month, to the Original Shareholders since March 2013 until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the Mining Agreement or any extension thereof. The amount of the monthly payment shall not be revised without consent from each of the Original Shareholders and Pacific Mining.

- (iii) On 10 April 2013, after reaching a mutual consent, a termination agreement was entered into between Esperance Mining Sdn. Bhd. and Capture Advance to terminate the cooperation agreement with immediate effect and neither party shall be entitled to any penalties pursuant to such termination.
- (iv) On 12 April 2013, the shareholders of the Group have conditionally approved the share option scheme. Up to the date of this report, no option has been granted or agreed to be granted under the aforesaid share option scheme.
- (v) On 9 June 2013, a deed of indemnity was entered into between Mr. Li Yang and the Company, pursuant to which Mr. Li Yang, as the Controlling Shareholder of the Group has agreed to keep the Company and members of the Group indemnified from and against any loss, damages, claims and penalties incurred or suffered by the Company or any members of the Group resulting from any non-compliance matters incurred before the listing of the Company's shares.

**37. Subsequent financial statements**

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2012.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.

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The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

20 June 2013

The Directors  
Pacific Mining Resources Sdn. Bhd.  
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Pacific Mining Resources Sdn. Bhd. (the “Company”) comprising the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Company for the year ended 31 December 2009 and the period from 1 January 2010 to 26 December 2010 (the “Relevant Periods”), and the statements of financial position of the Company as at 31 December 2009 and 26 December 2010, together with the notes thereto (the “Financial Information”), for the inclusion in the prospectus of CAA Resources Limited dated 20 June 2013 (the “Prospectus”).

The Company was incorporated in Malaysia as a company with limited liability on 31 August 2007. Pursuant to an acquisition on 26 December 2010, the Company became a subsidiary of the group of which CAA Resources Limited is the holding company.

The Company has adopted 31 December as its financial year end. The statutory financial statements of the Company were prepared under Private Entity Reporting Standards in Malaysia.

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards (the “IFRSs”) issued by International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). The Underlying Financial Statements for the year ended 31 December 2009 and the period from 1 January 2010 to 26 December 2010 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

### **Directors’ responsibility**

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.



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## APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.

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### **Reporting accountants' responsibility**

It is our responsibility to form an independent opinion on the Financial Information, and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2009 and 26 December 2010 and of the results and cash flows of the Company for the year ended 31 December 2009 and the period from 1 January 2010 to 26 December 2010 in accordance with International Financial Reporting Standards.

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**APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.**

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**I. FINANCIAL INFORMATION****Statements of comprehensive income**

		<b>For the period from 1 January to 26 December 2010</b>	<b>2009</b>
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
Administrative expenses		(233,574)	(1,144)
Other expenses		(5,352)	—
Finance costs	5	<u>(10,859)</u>	<u>—</u>
<b>Loss before tax</b>	4	(249,785)	(1,144)
Income tax expense	8	—	—
<b>Loss for the year/period</b>		<u><u>(249,785)</u></u>	<u><u>(1,144)</u></u>
<b>Other comprehensive income</b>			
Exchange differences on translation to presentation currency		<u>(13,640)</u>	<u>(6)</u>
<b>Other comprehensive loss for the year/period, net of tax</b>		<u>(13,640)</u>	<u>(6)</u>
<b>Total comprehensive loss for the year/period, net of tax</b>		<u><u>(263,425)</u></u>	<u><u>(1,150)</u></u>

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**APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.**

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**Statements of financial position**

		<b>26 December</b>	<b>31 December</b>
		<b>2010</b>	<b>2009</b>
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	253,738	—
<b>Total non-current assets</b>		<u>253,738</u>	<u>—</u>
<b>CURRENT ASSETS</b>			
Prepayments and other receivables			
	10	265,941	—
Cash and cash equivalents	11	433	580
<b>Total current assets</b>		<u>266,374</u>	<u>580</u>
<b>TOTAL ASSETS</b>		<u>520,112</u>	<u>580</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	13	164,137	—
<b>Total non-current liabilities</b>		<u>164,137</u>	<u>—</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals	12	70,002	1,730
Interest-bearing bank loans	13	46,089	—
Due to a related party	15	504,430	—
<b>Total current liabilities</b>		<u>620,521</u>	<u>1,730</u>
<b>NET CURRENT LIABILITIES</b>		<u>(354,147)</u>	<u>(1,150)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(100,409)</u>	<u>(1,150)</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	14	29	—
Reserves		<u>(264,575)</u>	<u>(1,150)</u>
		<u>(264,546)</u>	<u>(1,150)</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>520,112</u>	<u>580</u>

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**APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.**

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**Statements of changes in equity**

	<b>Issued capital</b> <i>USD</i> <i>(Note 14)</i>	<b>Accumulated losses</b> <i>USD</i>	<b>Exchange fluctuation reserve</b> <i>USD</i>	<b>Total</b> <i>USD</i>
<b>At 1 January 2009</b>	—	—	—	—
Total comprehensive loss	<u>—</u>	<u>(1,144)</u>	<u>(6)</u>	<u>(1,150)</u>
<b>At 31 December 2009</b>	<u>—</u>	<u>(1,144)*</u>	<u>(6)*</u>	<u>(1,150)</u>
<b>At 1 January 2010</b>	—	(1,144)	(6)	(1,150)
Issue of share capital	29	—	—	29
Total comprehensive loss	<u>—</u>	<u>(249,785)</u>	<u>(13,640)</u>	<u>(263,425)</u>
<b>At 26 December 2010</b>	<u>29</u>	<u>(250,929)*</u>	<u>(13,646)*</u>	<u>(264,546)</u>

\* These reserve accounts comprise the reserves of debit balance of USD264,575 (2009: debit balance of USD1,150) in the statements of financial position.

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**APPENDIX IIA ACCOUNTANTS' REPORT OF PACIFIC MINING RESOURCES SDN. BHD.**

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**Statements of cash flows**

	<i>Notes</i>	<b>For the period from 1 January to 26 December 2010</b>	<b>2009</b>
		<i>USD</i>	<i>USD</i>
<b>Operating activities</b>			
Loss before tax from continuing operations		(249,785)	(1,144)
Adjustments for:			
Depreciation	4	47,938	—
Finance costs	5	10,859	—
Impairment of property, plant and equipment	9	5,352	—
Working capital adjustments:			
Increase in prepayments and other receivables		(265,941)	—
Increase in other payables		68,272	1,730
Increase in an amount due to a related party		477,999	—
<b>Net cash flows from operating activities</b>		<u>94,694</u>	<u>586</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		<u>(293,453)</u>	—
<b>Net cash flows used in investing activities</b>		<u>(293,453)</u>	—
<b>Financing activities</b>			
Proceeds from interest-bearing borrowings		210,226	—
Proceeds from issue of share capital		29	—
Interest paid		<u>(10,859)</u>	—
<b>Net cash flows from financing activities</b>		<u>199,396</u>	—
Net increase in cash and cash equivalents		637	586
Net foreign exchange difference		(784)	(6)
Cash and cash equivalents at beginning of year/period		<u>580</u>	—
<b>Cash and cash equivalents at end of year/period</b>		<u><u>433</u></u>	<u><u>580</u></u>

## **II. NOTES TO FINANCIAL INFORMATION**

### **1. Corporate information and reorganisation**

Pacific Mining Resources Sdn. Bhd. (the "Company") is a private limited liability company, incorporated and domiciled in Malaysia.

The principal place of business of the Company is located at No 3, Lorong Sepakat 1, Taman Bandar Raya, 14000 Bukit Mertajam, Pulau Pinang, Malaysia.

The immediate and ultimate holding companies of the Company as at 26 December 2010 are Best Sparkle Development Ltd. and Capture Advantage Co., Ltd. ("Capture Advantage"), respectively, both of which are incorporated in the British Virgin Islands ("BVI").

The Company has not commenced its operation since the date of incorporation. There have been no significant changes in the nature of the principal activities during the year ended 31 December 2009 and the period from 1 January 2010 to 26 December 2010.

#### **2.1 Basis of preparation**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards and interpretations) issued by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2012 have been early adopted by the Company in the preparation of these financial statements throughout the Relevant Periods.

These financial statements have been prepared on a historical cost basis. The directors determine Malaysian Ringgit ("RM") to be the functional currency of the Company. These financial statements are presented in United States Dollars ("USD") as in the opinion of the directors, and such presentation would facilitate readers of these financial statements who are not located in Malaysia.

#### **2.2 Going concern**

The Company recorded accumulated losses of USD250,929 (2009: USD1,144) as at 26 December 2010 and the Company's current liabilities exceeded its current assets by USD354,147 (Year ended 31 December 2009: USD1,150).

The financial statements of the Company have been prepared on the going concern basis as the holding company, Capture Advantage has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. The directors believe the Company should be able to obtain sufficient finance to meet its financing commitments and are of the opinion that it is appropriate to prepare the financial statements on the going basis.

In the event that the financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. No such adjustments have been made to these financial statements.

### 2.3 Impact of issued but not yet effective IFRSs

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 1 Amendments	Amendments to IFRS 1 — <i>First-time Adoption of International Financial Reporting Standards — Government Loans</i> <sup>2</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures — Financial Assets and Financial Liabilities offsetting</i> <sup>2</sup>
IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
IAS 1 Amendments	Amendments to IAS 1: <i>Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> <sup>2</sup>
IAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
Annual Improvement Project	Annual Improvements to IFRS — the 2009-2011 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that these new and revised are unlikely to have a significant impact on the Company's results of operations and financial position.

### 2.4 Summary of significant accounting policies

#### (a) *Foreign currency transactions*

The Company's Financial Information is presented in USD, which is the Company's presentation currency. The Company's functional currency is RM. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

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Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

As at the end of the reporting period, the assets and liabilities of the Company are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(b) ***Property, plant and equipment***

Items of property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses.

(c) ***Impairment of non-financial assets other than goodwill***

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.



(d) ***Related parties***

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(e) ***Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

(f) ***Operating leases***

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases, net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

(g) *Investments and other financial assets*

(i) Initial recognition and measurement

Financial assets in the scope of IAS 39 are classified as loans and receivables. The classification depends on the purpose for which the investments were acquired.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date the Company commits to purchase or sell the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery or assets with the period generally established by regulation or convention in the marketplace.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. The effective interest rate amortisation is included in statement of comprehensive income. These are included in current assets, except those with maturities more than 12 months after the end of the reporting period, which are classified as non-current.

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have

an adverse effect on the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(iii) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(h) *Financial liabilities at amortised cost*

Financial liabilities including other payables, interest-bearing bank loans and an amount due to a related party are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within “finance costs” in the statement of comprehensive income.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(i) *Income tax*

Income tax comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) When the taxable temporary difference is associated with investments in subsidiaries, associates and joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

### **3. Significant accounting judgements and estimates**

The preparation of the financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### **Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

##### **(a) *Impairment of assets***

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

##### **(b) *Income taxes***

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its

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assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**4. Loss before tax**

The Company's loss before tax is arrived at after charging:

	<b>For the period from 1 January to 26 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Auditors' remuneration	154	145
Minimum lease payments in respect of:		
Office	<u>7,237</u>	<u>—</u>
	<u>7,391</u>	<u>145</u>
Depreciation ( <i>Note 9</i> )	47,938	—
Impairment of property, plant and equipment ( <i>Note 9</i> )	<u>5,352</u>	<u>—</u>

**5. Finance costs**

	<b>For the period from 1 January to 26 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Interest on bank loans	<u>10,859</u>	<u>—</u>

**6. Directors' remuneration**

There is no directors' remuneration during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

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**7. Five highest paid employees**

The Company has not commenced its operation since the date of incorporation and has not incurred any staff remuneration costs during the Relevant Periods.

**8. Income tax**

No Malaysia profits tax was provided because there were no assessable profits arising in Malaysia for the Relevant Periods.

A reconciliation of income tax expense applicable to loss before taxation at the statutory rates to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

For the period from 1 January to 26 December 2010

	<b>Total</b>	
	<i>USD</i>	<i>%</i>
Loss before tax	<u>(249,785)</u>	
Tax at the statutory tax rate	(62,446)	25
Expenses not deductible for tax	<u>62,446</u>	<u>(25)</u>
Tax charge at the Company's effective rate	<u>—</u>	<u>—</u>

For the year ended 31 December 2009

	<b>Total</b>	
	<i>USD</i>	<i>%</i>
Loss before tax	<u>(1,144)</u>	
Tax at the statutory tax rate	(286)	25
Expenses not deductible for tax	<u>286</u>	<u>(25)</u>
Tax charge at the Company's effective rate	<u>—</u>	<u>—</u>

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**9. Property, plant and equipment**

	<b>Vehicles</b>
	<i>USD</i>
<b>Cost</b>	
At 1 January and 31 December 2009	—
Additions	293,453
Translation adjustment	<u>16,226</u>
At 26 December 2010	<u><u>309,679</u></u>
<b>Accumulated depreciation</b>	
At 1 January and 31 December 2009	—
Additions	47,938
Translation adjustment	<u>2,651</u>
At 26 December 2010	<u><u>50,589</u></u>
<b>Impairment</b>	
At 1 January and 31 December 2009	—
Charge for the period	<u>5,352</u>
At 26 December 2010	<u><u>5,352</u></u>
<b>Net carrying amount</b>	
At 26 December 2010	<u><u>253,738</u></u>
At 31 December 2009	<u><u>—</u></u>

The vehicle registration cards of Company's vehicles with a net carrying amount of USD253,738 were pledged to secure bank borrowings to the Company at 26 December 2010.

**10. Prepayments and other receivables**

	<b>26 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Prepayments	36,914	—
Other receivables	<u>229,027</u>	<u>—</u>
	<u><u>265,941</u></u>	<u><u>—</u></u>



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**11. Cash and cash equivalents**

	<b>26 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	<u>433</u>	<u>580</u>

The balances can be analysed as follows:

	<b>26 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Denominated in:		
- RM	<u>433</u>	<u>580</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. There is no restriction on the use of cash at banks.

**12. Other payables and accruals**

	<b>26 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Other payables	69,839	1,730
Accruals	<u>163</u>	<u>—</u>
	<u>70,002</u>	<u>1,730</u>

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**13. Interest-bearing bank loans**

	26 December 2010			31 December 2009		
	Effective interest rate (%)	Maturity	USD	Effective interest rate (%)	Maturity	USD
<b>Current</b>						
Current portion of long term bank loans						
— secured	5.82-6.09	2011	46,089	—	—	—
<b>Non-current</b>						
Long term bank loans						
— secured	5.82-6.09	2012-2015	164,137	—	—	—
			<u>210,226</u>			<u>—</u>

	26 December 2010 USD	31 December 2009 USD
Analysed into:		
Bank loans repayable:		
Within one year	46,089	—
In the second year	48,884	—
In the third to fifth years, inclusive	115,253	—
	<u>210,226</u>	<u>—</u>

The Company's bank loans are financed for the purchase of certain items of property, plant and equipment and secured by the pledge of vehicle registration cards.

**14. Issued capital**

	26 December 2010 USD	31 December 2009 USD
Authorised:		
100 (2009: 2) ordinary shares of RM1 each	<u>29</u>	<u>—</u>
Issued and fully paid:		
100 (2009: 2) ordinary shares of RM1 each	<u>29</u>	<u>—</u>

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On 11 May 2010, the authorized share capital of the Company was increased from nil to USD29 by the creation of 98 additional shares of RM1 each, raking pari passu in all respects with the existing shares of the Company.

**15. Balances and transactions with related parties**

(a) The Company had the following transaction with related parties:

Pursuant to the Deed of Appointment dated 11 May 2012, the Company has appointed Capture Advance Sdn. Bhd. ("Capture Advance") (which was a fellow subsidiary of the Company) as its contractor to manage, supervise, conduct and carry out mining activities at the Ibam Mine. The Deed of Appointment was deemed to be effective from 1 January 2010.

(b) Outstanding balance with a related party:

	<b>26 December 2010</b>	<b>31 December 2009</b>
	<i>USD</i>	<i>USD</i>
Due to a related party		
Capture Advantage Co., Ltd.	<u>504,430</u>	<u>—</u>

The outstanding balance with a related party is unsecured, interest-free and has no fixed terms of repayment.

**16. Financial risk management objectives and policies**

The financial assets of the Company mainly include cash and cash equivalents and prepayments and other receivables, which arise directly from its operations. Financial liabilities of the Company mainly include other payables, interest-bearing bank loans and amounts due to a related party.

Risk management is carried out by the finance department which is led by the Company's executive directors. The main risk arising from the Company's financial instruments is liquidity risk.

The Company's financial risk management policy seeks to ensure that adequate resources are available to manage the above risk and to create value for its shareholders. The board regularly reviews the risk as summarized below.

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*Liquidity risk*

The Company monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The maturity profile of the Company's financial liabilities as at 31 December 2009 and 26 December 2010, based on the contractual payments, is as follows:

<b>26 December 2010</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Interest-bearing bank loans	—	14,319	42,958	180,398	237,675
Other payables	69,839	—	—	—	69,839
Due to a related party	504,430	—	—	—	504,430
	<u>574,269</u>	<u>14,319</u>	<u>42,958</u>	<u>180,398</u>	<u>811,944</u>
<b>31 December 2009</b>	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Other payables	1,730	—	—	—	1,730
	<u>1,730</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,730</u>

*Capital management*

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt and other payables, less cash and cash equivalents.

	<b>26 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Interest-bearing bank loans	210,226	—
Other payables and accruals	70,002	1,730
Due to a related party	504,430	—
Less: cash and cash equivalents	<u>(433)</u>	<u>(580)</u>
Net debt	784,225	1,150
Total capital	<u>(264,546)</u>	<u>(1,150)</u>
Capital and net debt	<u>519,679</u>	<u>—</u>
Gearing ratio	<u>151%</u>	<u>not applicable</u>

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

20 June 2013

The Directors  
Capture Advance Sdn. Bhd.  
China Everbright Capital Limited

Dear Sirs,

We set out below our report on the financial information of Capture Advance Sdn. Bhd. (the “Company”) comprising the statements of comprehensive income, the statements of changes in equity and statements of cash flows of the Company for the year ended 31 December 2009 and the period from 1 January 2010 to 22 December 2010 (the “Relevant Periods”), and the statements of financial position of the Company as at 31 December 2009 and 22 December 2010, together with the notes thereto (the “Financial Information”), for the inclusion in the prospectus of CAA Resources Limited dated 20 June 2013 (the “Prospectus”).

The Company was incorporated in Malaysia as a company with limited liability on 15 November 2007. Pursuant to an acquisition on 22 December 2010, the Company became a wholly-owned subsidiary of the group of which CAA Resources Limited is the holding company.

The Company has adopted 31 December as its financial year end. The statutory financial statements of the Company were prepared under Private Entity Reporting Standards in Malaysia.

For the purpose of this report, the directors of the Company have prepared the financial statements of the Company for the Relevant Periods in accordance with International Financial Reporting Standards (the “IFRSs”) issued by International Accounting Standards Board (the “IASB”) (the “Underlying Financial Statements”). The Underlying Financial Statements for the year ended 31 December 2009 and the period from 1 January 2010 to 22 December 2010 were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the “IAASB”).

The Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

**Directors' responsibility**

The Directors are responsible for the preparation of the Underlying Financial Statements and the Financial Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements and the Financial Information that are free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

It is our responsibility to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Opinion in respect of the Financial Information**

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2009 and 22 December 2010 and of the results and cash flows of the Company for the year ended 31 December 2009 and the period from 1 January 2010 to 22 December 2010 in accordance with International Financial Reporting Standards.

## I. FINANCIAL INFORMATION

## Statements of comprehensive income

		<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
<b>Revenue</b>	5	8,487,516	2,186,572
Cost of sales		<u>(6,718,575)</u>	<u>(2,047,749)</u>
<b>Gross profit</b>		1,768,941	138,823
Other income		174,055	178,876
Selling and distribution costs		(1,343,136)	(652,257)
Administrative expenses		(240,898)	(166,074)
Other expenses		<u>(704,535)</u>	<u>(966,596)</u>
<b>Loss before tax for the year/period</b>	6	(345,573)	(1,467,228)
Income tax credit	9	<u>106,127</u>	<u>—</u>
<b>Loss for the year/period</b>		<u><u>(239,446)</u></u>	<u><u>(1,467,228)</u></u>
<b>Other comprehensive income</b>			
Exchange differences on translation to presentation currency		<u>71,300</u>	<u>13,783</u>
<b>Other comprehensive income for the year/period, net of tax</b>		<u>71,300</u>	<u>13,783</u>
<b>Total comprehensive loss for the year/period, net of tax</b>		<u><u>(168,146)</u></u>	<u><u>(1,453,445)</u></u>



## Statements of financial position

		22 December 2010	31 December 2009
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,244,536	1,275,469
Other intangible assets	11	3,690,295	3,331,418
Deferred tax assets	12	111,995	—
<b>Total non-current assets</b>		<u>5,046,826</u>	<u>4,606,887</u>
<b>CURRENT ASSETS</b>			
Inventories	13	493,071	—
Prepayments and other receivables	14	899,231	164,357
Cash and cash equivalents	15	550,728	130,969
<b>Total current assets</b>		<u>1,943,030</u>	<u>295,326</u>
<b>TOTAL ASSETS</b>		<u><u>6,989,856</u></u>	<u><u>4,902,213</u></u>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank loans	17	73,471	—
<b>Total non-current liabilities</b>		<u>73,471</u>	—
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	123,058	62,053
Interest-bearing bank loans	17	13,348	—
Due to related parties	20	6,434,992	4,327,027
<b>Total current liabilities</b>		<u>6,571,398</u>	<u>4,389,080</u>
<b>NET CURRENT LIABILITIES</b>		<u>(4,628,368)</u>	<u>(4,093,754)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>418,458</u></u>	<u><u>513,133</u></u>
<b>EQUITY</b>			
Issued capital	18	3,000,000	3,000,000
Reserves		<u>(2,655,013)</u>	<u>(2,486,867)</u>
		344,987	513,133
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,989,856</u></u>	<u><u>4,902,213</u></u>

## Statements of changes in equity

	<b>Issued capital</b> <i>USD</i> <i>(Note 18)</i>	<b>Accumulated losses</b> <i>USD</i>	<b>Exchange fluctuation reserve</b> <i>USD</i>	<b>Total</b> <i>USD</i>
At 1 January 2009	3,000,000	(942,781)	(90,641)	1,966,578
Total comprehensive income/(loss)	<u>—</u>	<u>(1,467,228)</u>	<u>13,783</u>	<u>(1,453,445)</u>
At 31 December 2009	<u>3,000,000</u>	<u>(2,410,009)*</u>	<u>(76,858)*</u>	<u>513,133</u>
At 1 January 2010	3,000,000	(2,410,009)	(76,858)	513,133
Total comprehensive income/(loss)	<u>—</u>	<u>(239,446)</u>	<u>71,300</u>	<u>(168,146)</u>
At 22 December 2010	<u>3,000,000</u>	<u>(2,649,455)*</u>	<u>(5,558)*</u>	<u>344,987</u>

\* These reserve accounts comprise the reserves of debit balance of USD2,655,013 (2009: debit balance of USD2,486,867) in the statements of financial position.

## Statements of cash flows

		<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
<b>Operating activities</b>			
Loss before tax		(345,573)	(1,467,228)
Adjustments for:			
Depreciation	10	306,468	263,742
Amortisation of other intangible assets	11	9,040	—
Working capital adjustments:			
Increase in prepayments and other receivables		(734,874)	(76,885)
Increase in inventories		(493,071)	—
Increase in trade and other payables		<u>1,764,444</u>	<u>2,309,348</u>
<b>Net cash flows from operating activities</b>		<u>506,434</u>	<u>1,028,977</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(143,494)	(91,660)
Purchase of other intangible assets		<u>—</u>	<u>(912,870)</u>
<b>Net cash flows used in investing activities</b>		<u>(143,494)</u>	<u>(1,004,530)</u>
<b>Financing activities</b>			
Proceeds from interest-bearing and other borrowings		<u>86,819</u>	<u>—</u>
<b>Net cash flows from financing activities</b>		<u>86,819</u>	<u>—</u>
Effect of foreign exchange rate changes, net		(30,000)	(34,526)
Net increase in cash and cash equivalents		449,759	24,447
Cash and cash equivalents at beginning of year		<u>130,969</u>	<u>141,048</u>
<b>Cash and cash equivalents at end of year/period</b>		<u><u>550,728</u></u>	<u><u>130,969</u></u>

## II. NOTES TO FINANCIAL INFORMATION

### 1. Corporate information

Capture Advance Sdn. Bhd. (the “Company”) was incorporated and domiciled in the Malaysia, under the Companies Act of the Malaysia, with a company number 795913-X.

The registered office of the Company is located at A-4380, 1st Floor, Jalan Telok Sisek, 250000 Kuantan, Pahang Darul Makmur.

The principal activity of the Company is extracting, processing and selling of iron ore. There has been no significant change in the nature of this principal activity during the financial year.

The immediate and ultimate holding companies of the Company as at 22 December 2010 are Best Sparkle Development Ltd. and Capture Advantage Co., Ltd. (“Capture Advantage”) respectively, both of which are incorporated in British Virgin Island (“BVI”).

#### 2.1 Basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards and interpretations) issued by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2012 have been early adopted by the Company in the preparation of these financial statements throughout the Relevant Periods.

These financial statements have been prepared on a historical cost basis. The directors determine Malaysian Ringgit (“RM”) to be the functional currency of the Company. These financial statements are presented in United States Dollars (“USD”) as in the opinion of the directors, and such presentation would facilitate readers of these financial statements who are not located in Malaysia.

#### 2.2 Going concern

The Company recorded accumulated losses of USD2,649,445 as at 22 December 2010 and the Company’s current liabilities exceed its current assets by USD4,628,368 (as at 31 December 2009: USD4,093,754).

The financial statements of the Company have been prepared under the going concern basis as the holding company, Capture Advantage has agreed to provide adequate financial support to the Company to meet its obligations as and when they fall due. The directors believe the Company should be able to obtain sufficient finance to meet its financing commitments and are of the opinion that it is appropriate to prepare the financial statements on the going basis.

In the event that financial support is not available, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts at which they are currently recorded in the statements of financial position. No such adjustments have been made to these financial statements.

### 2.3 Impact of issued but not yet effective IFRSs

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 1 Amendments	Amendments to IFRS1 — <i>First-time Adoption of International Financial Reporting Standards — Government Loans</i> <sup>2</sup>
IFRS 7 Amendments	Amendments to IFRS 7 <i>Financial Instruments: Disclosures — Financial Assets and Financial Liabilities offsetting</i> <sup>2</sup>
IFRS 9	<i>Financial Instruments</i> <sup>4</sup>
IFRS 10	<i>Consolidated Financial Statements</i> <sup>2</sup>
IFRS 11	<i>Joint Arrangements</i> <sup>2</sup>
IFRS 12	<i>Disclosure of Interests in Other Entities</i> <sup>2</sup>
IFRS 13	<i>Fair Value Measurement</i> <sup>2</sup>
IAS 1 Amendments	Amendments to IAS 1: <i>Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
IAS 19 Amendments	Amendments to IAS 19 <i>Employee Benefits</i> <sup>2</sup>
IAS 27 (Revised)	<i>Separate Financial Statements</i> <sup>2</sup>
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> <sup>2</sup>
IAS 32 Amendments	Amendments to IAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> <sup>3</sup>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> <sup>2</sup>
Annual Improvement Project	Annual Improvements to IFRS — the 2009-2011 Cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Company is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Company considers that these new and revised are unlikely to have a significant impact on the Company's results of operations and financial position.

### 2.4 Summary of significant accounting policies

#### (a) *Foreign currency transactions*

The Company's Financial Information is presented in USD, which is the Company's presentation currency. The Company's functional currency is RM. Foreign currency transactions recorded by the Company are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

As at the end of the reporting period, the assets and liabilities of the Company are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and its profit or loss are translated into USD at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(b) *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depending on the nature of the item of property, plant and equipment, depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, taking into account its estimated residual value or it is calculated using the Units of Production ("UOP") basis to write off the cost of the asset proportionately to the extraction of the proven and probable mineral reserves.

The estimated useful lives of property, plant and equipment are as follows:

Machinery	7 years
Vehicles	3 years
Mine properties	On a UOP basis
Others	3 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

(c) *Impairment of non-financial assets other than goodwill*

The Company assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

(d) *Related parties*

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Company;
  - (ii) has significant influence over the Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Company are members of the same Company;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Company are joint ventures of the same third party;

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(e) *Intangible assets (other than goodwill)*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

**Exploration rights and assets**

Exploration rights and assets are stated at cost less impairment losses. Exploration rights and assets include the cost of acquiring exploration rights, topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and amortisation and depreciation charges in respect of assets consumed during the exploration activities.

Exploration and evaluation costs include expenditure incurred to secure further mineralisation in existing ore bodies as well as in new areas of interest. Expenditure incurred prior to accruing legal rights to explore an area is written off as incurred.

When it can be reasonably ascertained that an exploration property is capable of commercial production, exploration and evaluation costs capitalised are transferred to either mining infrastructure or mining rights and reserves and depreciated/amortised by the UOP method based on the proven and probable mineral reserves. Costs incurred for exploration which can be directly attributable to the development of mining infrastructure are transferred to mining infrastructure when the exploration reaches the stage of commercial production. All other costs will be transferred to mining rights and reserves. Exploration rights and assets are written off to profit or loss if the exploration property is abandoned.



**Mining rights and reserves**

Mining rights and reserves are stated at cost less accumulated amortisation and any impairment losses. Mining rights and reserves include the cost of acquiring mining licences and exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights and reserves are amortised using the UOP method based on the proven and probable mineral reserves of the mines. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

**(f) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

**(g) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices in the ordinary course of business less any estimated costs to be incurred to completion and disposal.

**(h) Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

**(i) Investments and other financial assets****(i) Initial recognition and measurement**

Financial assets in the scope of IAS 39 are classified as loans and receivables. The classification depends on the purpose for which the investments were acquired.

When financial assets are recognised initially, they are measured at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date the Company commits to purchase or sell the asset. Regular way purchases and sales are purchases or sales of financial assets that require delivery or assets with the period generally established by regulation or convention in the marketplace.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. The effective interest rate amortisation is included in statement of comprehensive income. These are included in current assets, except those with maturities more than 12 months after the end of reporting period, which are classified as non-current.

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to other receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor) that the Company will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(iii) *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) *Impairment of financial assets*

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(j) *Financial liabilities at amortised cost*

Financial liabilities including trade payables, other payables, interest-bearing bank loans and amounts due to related parties are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "finance costs" in the statement of comprehensive income.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(k) *Income tax*

Income tax comprises current and deferred income tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) When the taxable temporary difference is associated with investments in subsidiaries, associates and joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(l) ***Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(ii) *Interest income*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset) to the net carrying amount of the financial asset.

(m) ***Employee benefits***

(i) *Defined contribution plans*

The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to this scheme are recognised as an expense in the period in which the related service is performed.

(ii) *Short term benefits*

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees.

### **3. Significant accounting judgements and estimates**

The preparation of the Financial Statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the Financial Statements and accompanying notes. Actual results could differ from those estimates.

#### **Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) **Impairment of assets**

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment,

particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (ii) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

**(b) Income taxes**

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**(a) Impairment of mining and exploration assets and property, plant and equipment**

The carrying value of mining and exploration assets and property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable in accordance with the accounting policy as disclosed in Note 2.4(c) to the financial statements. The recoverable amount of these assets, or, where appropriate, the cash-generating unit to which they belong, is the higher of their fair value less costs to sell and value in use. Estimating the value in use requires the Company to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### 4. Segment information

For management purposes, the Company has been operating in one segment, which is iron ore mining and processing in Malaysia. No further operating segment analysis is presented thereon.

#### Geographical information

##### (a) Revenue from external customers

	<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Sales of goods	<u>8,487,516</u>	<u>2,186,572</u>

All revenue from continuing operations above is from People's Republic of China.

##### (b) Non-current assets

Since all the non-current assets from continuing operations, other than deferred tax assets, employed by the Company are located in Malaysia, no geographical information for non-current assets is presented.

#### Information about major customers

For the period from 1 January 2010 to 22 December 2010, revenue from four of the Company's customers amounting to USD3,101,707, USD2,124,309, USD1,532,676 and USD1,306,604, respectively had individually accounted for over 10% of the Company's total revenue.

For the year ended 31 December 2009, revenue generated from one of the Company's customers amounting to USD2,186,572 had accounted for over 10% of the Company's total revenue.

#### 5. Revenue

Revenue represents the net invoiced value of goods sold, net of trade discounts and returns, where applicable.

	<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Sales of goods	<u>8,487,516</u>	<u>2,186,572</u>

**6. Loss before tax**

The Company's loss before tax is arrived at after charging:

	<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Cost of inventories sold	6,079,561	1,652,511
Auditors' remuneration	3,073	4,065
Employee benefit expenses (including directors' remuneration)	131,659	126,446
Minimum lease payments in respect of:		
Land	58,390	17,420
Machine	—	3,484
Office	22,916	4,943
	<u>6,295,599</u>	<u>1,808,869</u>
Depreciation (Note 10)	306,468	263,742
Exploration costs	—	947,065
Amortisation of other intangible assets (Note 11)	<u>9,040</u>	<u>—</u>

**7. Directors' remuneration**

There is no directors' remuneration during the Relevant Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

**8. Five highest paid employees**

Details of the remuneration of the five (for the year ended 31 December 2009: 5) non-director, highest paid employees for the Relevant Periods are as follows:

	<b>For the period from 1 January to 22 December 2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Salaries, allowances and benefits in kind	<u>38,512</u>	<u>28,543</u>



The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	<b>Number of employees</b>	
	<b>For the period</b>	
	<b>from 1 January to</b>	
	<b>22 December 2010</b>	
		<b>2009</b>
Nil to Hong Kong dollars 1,000,000	<u>5</u>	<u>5</u>

## 9. Income tax

Malaysia profits tax has been provided at the rate of 25% (2010: 25%) on the estimated assessable profits arising in Malaysia during the Relevant Periods.

The Company's income tax credit for the Relevant Period is:

	<b>For the period</b>	
	<b>from 1 January to</b>	
	<b>22 December 2010</b>	
	<i>USD</i>	<i>2009</i>
		<i>USD</i>
Current	—	—
Deferred	106,127	—
Total tax credit for the year/period	<u>106,127</u>	<u>—</u>

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory rates to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

For the period from 1 January to 22 December 2010

	<b>Total</b>	
	<i>USD</i>	<i>%</i>
Loss for the period	<u>(345,573)</u>	
Tax at the statutory tax rate	(86,393)	25
Expenses not deductible for tax	126,298	(37)
Deferred tax asset not recognized in previous year	<u>66,222</u>	<u>(19)</u>
Tax credit at the Company's effective rate	<u>106,127</u>	<u>(31)</u>

For the year ended 31 December 2009

	<b>Total</b> <i>USD</i>	<i>%</i>
Loss for the year	<u>(1,467,228)</u>	
Tax at the statutory tax rate	(366,807)	25
Tax losses not recognised	95,645	(7)
Expenses not deductible for tax	<u>271,162</u>	<u>(18)</u>
Tax charge at the Company's effective rate	<u>—</u>	<u>—</u>

#### 10. Property, plant and equipment

	<b>Mine</b> <b>properties</b> <i>USD</i>	<b>Machinery</b> <i>USD</i>	<b>Vehicles</b> <i>USD</i>	<b>Others</b> <i>USD</i>	<b>Total</b> <i>USD</i>
<b>Cost</b>					
At 1 January 2009	13,424	1,503,411	31,732	10,654	1,559,221
Additions	—	91,660	—	—	91,660
Translation difference	<u>155</u>	<u>17,870</u>	<u>366</u>	<u>122</u>	<u>18,513</u>
At 31 December 2009	13,579	1,612,941	32,098	10,776	1,669,394
Additions	—	40,830	99,955	2,709	143,494
Translation difference	<u>1,501</u>	<u>180,631</u>	<u>9,077</u>	<u>1,342</u>	<u>192,551</u>
At 22 December 2010	<u>15,080</u>	<u>1,834,402</u>	<u>141,130</u>	<u>14,827</u>	<u>2,005,439</u>
<b>Accumulated depreciation</b>					
At 1 January 2009	2,170	118,172	5,130	1,722	127,194
Additions	4,365	245,594	10,319	3,464	263,742
Translation difference	<u>50</u>	<u>2,779</u>	<u>119</u>	<u>41</u>	<u>2,989</u>
At 31 December 2009	6,585	366,545	15,568	5,227	393,925
Additions	4,620	282,503	14,875	4,470	306,468
Translation difference	<u>984</u>	<u>56,157</u>	<u>2,544</u>	<u>825</u>	<u>60,510</u>
At 22 December 2010	<u>12,189</u>	<u>705,205</u>	<u>32,987</u>	<u>10,522</u>	<u>760,903</u>
<b>Net carrying amount</b>					
At 22 December 2010	<u>2,891</u>	<u>1,129,197</u>	<u>108,143</u>	<u>4,305</u>	<u>1,244,536</u>
At 31 December 2009	<u>6,994</u>	<u>1,246,396</u>	<u>16,530</u>	<u>5,549</u>	<u>1,275,469</u>

The vehicle registration cards of Company's vehicles with a net carrying amount of USD108,143 and USD16,530 were pledged to secure bank borrowings to the Company at 22 December 2010 and 31 December 2009, respectively.

#### 11. Other intangible assets

	<b>Mining rights and reserves</b>
	<i>USD</i>
<b>Cost</b>	
At 1 January 2009	2,385,765
Additions	912,870
Translation difference	<u>32,783</u>
At 31 December 2009	3,331,418
Translation difference	<u>368,417</u>
At 22 December 2010	<u><u>3,699,835</u></u>
<b>Accumulated amortisation</b>	
At 1 January and 31 December 2009	—
Additions	9,040
Translation difference	<u>500</u>
At 22 December 2010	<u><u>9,540</u></u>
<b>Net carrying amount</b>	
At 31 December 2009	<u><u>3,331,418</u></u>
At 22 December 2010	<u><u>3,690,295</u></u>

**12. Deferred tax assets**

The movements in deferred tax assets are as follows:

	<b>Losses available for offsetting against future taxable profits</b> <i>USD</i>	<b>Others</b> <i>USD</i>	<b>Total</b> <i>USD</i>
At 1 January 2009			
31 December 2009 and 1 January 2010	<u>—</u>	<u>—</u>	<u>—</u>
Credited to the statements of comprehensive income during the period	82,925	23,202	106,127
Exchange differences	<u>4,585</u>	<u>1,283</u>	<u>5,868</u>
At 22 December 2010	<u><u>87,510</u></u>	<u><u>24,485</u></u>	<u><u>111,995</u></u>

The Company had tax losses arising in Malaysia of USD96,196 as at 31 December 2009 that are available for offsetting against its future taxable profits. Deferred tax assets have not been recognised in respect of these losses as at 31 December 2009. The Company has been loss-making and as at 31 December 2009 it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 22 December 2010, the Company has recognised the deferred tax assets in respect of the tax losses as at 22 December 2010 since with the operation of Ibam Mine it is considered probably that taxable profits will be available against which the tax losses can be utilised.

**13. Inventories**

	<b>22 December 2010</b> <i>USD</i>	<b>31 December 2009</b> <i>USD</i>
Finished goods	<u>493,071</u>	<u>—</u>
Total inventories	<u><u>493,071</u></u>	<u><u>—</u></u>

**14. Prepayments and other receivables**

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Other receivables	895,517	164,357
Income tax receivable	<u>3,714</u>	<u>—</u>
	<u><u>899,231</u></u>	<u><u>164,357</u></u>

**15. Cash and cash equivalents**

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Cash and cash equivalents	<u><u>550,728</u></u>	<u><u>130,969</u></u>

Balances can be analysed as follows:

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Denominated in:		
- RM	546,289	128,709
- USD	4,439	2,128
- Renminbi	<u>—</u>	<u>132</u>
	<u><u>550,728</u></u>	<u><u>130,969</u></u>

Cash at banks earn interest at floating rates based on daily bank deposit rates. There is no restriction on use of cash at banks.

**16. Trade and other payables**

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Trade payables	41,079	—
Other payables	<u>81,979</u>	<u>62,053</u>
	<u><u>123,058</u></u>	<u><u>62,053</u></u>

An aged analysis of trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	<u>22 December</u>	<u>31 December</u>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Within 30 days	<u>41,079</u>	<u>—</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

#### 17. Interest-bearing bank loans

	<u>22 December 2010</u>			<u>31 December 2009</u>		
	<b>Effective interest rate</b>			<b>Effective interest rate</b>		
	( <i>%</i> )	<i>Maturity</i>	<i>USD</i>	( <i>%</i> )	<i>Maturity</i>	<i>USD</i>
<b>Current</b>						
Current portion of long term bank loans						
— secured	5.15-6.36	2011	13,348	—	—	—
<b>Non-current</b>						
Long term bank loans — secured	5.15-6.36	2012-2017	<u>73,471</u>	—	—	<u>—</u>
			<u>86,819</u>			<u>—</u>

	<u>22 December</u>	<u>31 December</u>
	<b>2010</b>	<b>2009</b>
	<i>USD'000</i>	<i>USD'000</i>
Analysed into:		
Bank loans repayable:		
Within one year	13,348	—
In the second year	14,140	—
In the third to fifth years, inclusive	44,303	—
Beyond five years	<u>15,028</u>	<u>—</u>
	<u>86,819</u>	<u>—</u>

The Company's bank loans are utilised to purchase vehicles and secured by the pledge of vehicle registration cards.

**18. Issued capital**

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Authorised:		
10,000,000 (2009: 10,000,000) ordinary shares of RM1 each	<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid:		
10,000,000 (2009: 10,000,000) ordinary shares of RM1 each	<u>3,000,000</u>	<u>3,000,000</u>

**19. Operating lease and other commitment**

The Company leases certain property, plant and equipment under operating lease arrangements, with leases negotiated for terms of three years.

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

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Within one year	77,834	55,483
In the second to fifth years, inclusive	<u>110,264</u>	<u>169,368</u>
	<u>188,098</u>	<u>224,851</u>

**20. Balances and transactions with related parties**

(a) *The Company had the following transactions with related parties:*

		<b>For the period</b>	
		<b>from 1 January to</b>	
		<b>22 December 2010</b>	<b>2009</b>
	<i>Notes</i>	<i>USD</i>	<i>USD</i>
Capture Acme Co., Ltd.*			
Sales of iron ores	(i)	<u>—</u>	<u>2,186,572</u>

\* Capture Acme Co., Ltd. was controlled by the father of the controlling shareholder of the group of which the Company became a subsidiary as at 22 December 2010.

- (i) The selling price was set according to a price mutually agreed.
- (ii) Pursuant to the Deed of Appointment dated 11 May 2012, the Company was contracted by Pacific Mining Resources Sdn. Bhd. ("Pacific Mining") (which was a fellow subsidiary) to manage, supervise, conduct and carry out mining activities at the Ibam Mine. The Deed of Appointment was deemed to be effective from 1 January 2010.

(b) *Outstanding balances with related parties:*

Due to related parties

	<b>22 December</b>	<b>31 December</b>
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Capture Acme Co., Ltd.	—	602,017
Capture Advantage Co., Ltd. **	823,042	—
Chengdu Hande Investment Co., Ltd. ***	5,611,950	3,725,010
	<u>6,434,992</u>	<u>4,327,027</u>

\*\* Capture Advantage Co., Ltd. is the ultimate holding company of the Company as at 22 December 2010.

\*\*\* Single largest shareholder of Chengdu Hande Investment Co., Ltd. is the father of the controlling shareholder of the group of which the Company became a subsidiary as at 22 December 2010.

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment. These balances arose due to payments made on behalf of the Company in respect of administration and related expenses.

## 21. Events after the reporting period

On 18 March 2011, the Company announced the decision of its Board of Directors to dispose of its two mines - Besol Mine and Talam Mine to settle the payable of USD3,700,000 arising as part of the total consideration in the business combination to acquire the mining business as further detailed in Appendix I, Section II, Note 29 to the prospectus of CAA Resources Limited dated 20 June 2013.

## 22. Financial risk management objectives and policies

The financial assets of the Company mainly include cash and cash equivalents, and other receivables, which arise directly from its operations. Financial liabilities of the Company mainly include other payables, trade payables, interest-bearing bank loans and amounts due to related parties.



Risk management is carried out by the finance department which is led by the Company's executive directors. The Company's finance department identifies and evaluates financial risks in close co-operation with the Company's operating units. The main risks arising from the Company's financial instruments are liquidity risk and foreign currency risk.

The Company's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders. The board regularly reviews these risks and they are summarised below.

#### *Liquidity risk*

The Company monitors its exposure to a shortage of funds by considering the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility.

The maturity profile of the Company's financial liabilities at the end of each of the Relevant Periods of the Company, based on the contractual payments, is as follows:

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Total</b>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
<b>22 December 2010</b>					
Trade payables	41,079	—	—	—	41,079
Interest-bearing bank loans	—	4,476	13,429	84,120	102,025
Other payables	81,979	—	—	—	81,979
Due to related parties	<u>6,434,992</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,434,992</u>
	<u>6,558,050</u>	<u>4,476</u>	<u>13,429</u>	<u>84,120</u>	<u>6,660,075</u>
<b>31 December 2009</b>					
Other payables	62,053	—	—	—	62,053
Due to related parties	<u>4,327,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,327,027</u>
	<u>4,389,080</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,389,080</u>

#### *Foreign currency risk*

The Company has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currency.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Company's profit/(loss) before tax (due to changes in the fair value of monetary assets and liabilities).

	<b>Increase/ (decrease) in RM rate %</b>	<b>Increase/ (decrease) in profit/(loss) before tax USD</b>
22 December 2010		
If the US dollar weakens against RM	5	321,750
If the US dollar strengthens against RM	(5)	(321,750)
2009		
If the US dollar weakens against RM	5	216,351
If the US dollar strengthens against RM	(5)	(216,351)

#### *Fair values*

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Company's financial instruments approximated to their fair values as at 31 December 2009 and 22 December 2010.

#### *Capital management*

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or raise new capital from its investors.

No changes were made in the objectives, policies or processes for managing financial risk during the Relevant Periods.

The Company is currently funding its capital expenditure through internally generated funds from its operations. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	<b>22 December</b>	
	<b>2010</b>	<b>2009</b>
	<i>USD</i>	<i>USD</i>
Trade payables	41,079	—
Interest-bearing bank and other borrowings	86,819	—
Other payables	81,979	62,053
Due to related parties	6,434,992	4,327,027
Less: cash and cash equivalents	<u>(550,728)</u>	<u>(130,969)</u>
Net debt	6,094,141	4,258,111
Total capital	<u>344,987</u>	<u>513,133</u>
Capital and net debt	<u>6,439,128</u>	<u>4,771,244</u>
Gearing ratio	<u>95%</u>	<u>89%</u>

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
 Hong Kong

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## APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The information set forth in this appendix does not form part of the accountants' reports prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of our Group, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the accountants' reports set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma adjusted net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 December 2012. The unaudited pro forma net tangible assets have been prepared for illustrative purposes only and because of their hypothetical nature, they may not give a true picture of our financial position had the Global Offering been completed as of 31 December 2012 or any future dates.

	<b>Audited combined net tangible assets attributable to owners of the parent as at 31 December 2012 <i>USD'000</i> <i>(Note 1)</i></b>	<b>Audited combined net tangible assets attributable to owners of the parent as at 31 December 2012 <i>HK\$'000</i> <i>(Note 2)</i></b>	<b>Estimated net proceeds from the Global Offering <i>HK\$'000</i> <i>(Note 3)</i></b>	<b>Unaudited pro forma adjusted combined net tangible assets <i>HK\$'000</i></b>	<b>Unaudited pro forma adjusted net tangible assets per Offer Share <i>HK\$</i> <i>(Note 4)</i></b>
Based on Offer Price of HK\$1.30 per Offer Share	547	4,251	440,000	444,251	0.30
Based on Offer Price of HK\$1.60 per Offer Share	547	4,251	550,000	554,251	0.37

*Notes:*

1. The audited combined net tangible assets attributable to owners of the Company as at 31 December 2012 is based on the audited combined net tangible assets extracted from the Accountants' Report set out in Appendix I in this prospectus.
2. For the purpose of illustration, the exchange rate of USD1 = HK\$7.772.
3. The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK\$1.30 per Offer Share and HK\$1.60 per Offer Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted net tangible assets/(liabilities) per Offer Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,500,000,000 Shares were in issue assuming that the Global Offering had been completed on 31 December 2012 but takes no account of the Over-allotment Option.

**B. COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report, received from the Company's reporting accountants, Ernst & Young, in respect of the unaudited pro forma financial information for the purpose of incorporation in this prospectus.



22/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

20 June 2013

The Directors  
CAA Resources Limited  
China Everbright Capital Limited

Dear Sirs,

We report on the unaudited pro forma adjusted combined net tangible assets (the "Unaudited Pro Forma Financial Information") of CAA Resources Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company (the "Directors") for illustrative purposes only, to provide information about how the global offering of shares of the Company might have affected the financial information presented, for inclusion in Appendix III to the prospectus of the Company dated 20 June 2013 (the "Prospectus"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix III to the Prospectus.

**Respective Responsibilities of the Directors and Reporting Accountants**

It is the responsibility solely of the Directors to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of Opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 *Accountants' Reports on Pro Forma Financial Information in Investment*

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**APPENDIX III      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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*Circulars* issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments, and discussing the Unaudited Pro Forma Financial Information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated, that such bases are consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

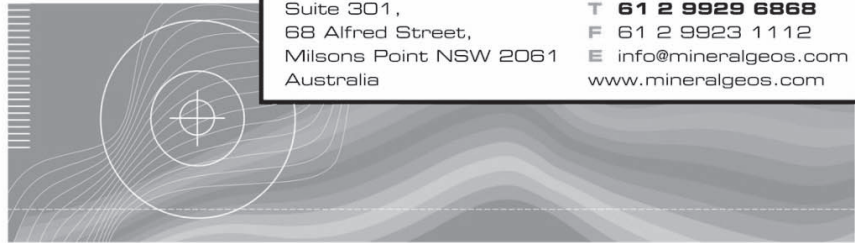
The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future dates.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the bases stated;
- (b) such bases are consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
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# Independent Geological Report and Resource and Reserve Estimation

**Bukit Ibam 350 Mine**

**CAA Resources Ltd.**

**Job No. 2405**

**31 December 2012**

Prepared for:

**CAA Resources. Ltd**

Reviewed and edited by:

**Sue Border**

**BSc Hons, Gr Dip, FAIG,  
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Prepared by:

**Llyle Sawyer,**

**B App Sc, M App Sc, MAIG**

## Executive Summary

Geos Mining (“Geos”) was requested to prepare an independent geological report and resource estimation on the Ibam 350 Mine in Malaysia for CAA Resources Ltd. (CAA). CAA Resources Ltd. is exploring its Malaysian tenements for iron ore and has been successful in commencing extraction operations of the resource at Ibam 350 Mine.

The author visited the mine site and took check samples which confirmed the expected grade of material currently being mined. Geos Mining has used the reported analyses as presented to them in its resource estimation, as the results are compatible with the check samples and geology as exposed at the time of the site inspection. Fifty (50) holes have been drilled at Ibam 350 Mine. Geos Mining has used the reported results of this drilling to estimate a combined Measured and Inferred Mineral Resource of 152 million tonnes of haematite iron mineralisation, with an average grade of 46.5% Total Fe. This includes a Measured Mineral Resource 110 million tonnes with an average grade of 46.7% Total Fe.

CAA Resources Ltd. has recently finalised mine development and beneficiation studies for the expanded Ibam 350 Mine. These were conducted by Sichuan Runbang Design Co. (“Sichuan Runbang”) (2011) and the Ministry of Land and Mineral Resources Supervision and Testing Centre (Chengdu, Surong, 2011) respectively. They form the basis of plans to increase production at the mine to 5 million tonnes ore per annum. Mining feasibility studies and beneficiation studies indicate a project involving conventional open cut and strip mining with simple crushing, grinding to 70% less than 200 micron and magnetic separation would be technically feasible.

Although ore is of relatively moderate grade beneficiation studies show that concentration by washing, crushing and separation produces a good quality export grade product with Fe grade equal to or greater than 58%.

Using this data, Geos Mining has classified the recoverable part of the Measured Resource as a Probable Mineral Reserves of 105 million tonnes of iron ore with an average grade of 44.8% total Fe (note that the resource figures above include this reserve).

Mineralisation at Ibam 350 Mine is largely non-outcropping and under cover, and dominantly haematite. Typical mineralogy is reported as 75% haematite, 15% magnetite, with the remainder as quartz, sericite and lithic fragments (Zhongjin Geological Survey and Exploration Institute, 2011). Mineralogy, geology and textures within the deposit indicate that this originally was a sedimentary stratiform type deposit which has undergone some degree of alteration and remobilisation within the stratum boundaries to form an enriched stratabound deposit.

Mining operations are by open cut with a low waste to ore stripping ratio. Mined product is processed on site by crushing and screening to the required 58% Fe export product.



Major geological risks to the successful large scale development of the Ibam 350 Mine include increase in impurities within the ore which would result in a reduction of grade, geotechnical competency of the host rock and effects of major structures on the geotechnical stability of the mine. These risks can be defined and reduced by the collection of additional geological and geotechnical data as mining progresses, to supplement the data currently available. This additional work, plus environmental studies, are recommended.

Malaysia is a net importer of iron ore, and there is market potential to significantly increase iron ore sales by local sales. The author has been informed by CAA Resources Ltd. that it currently exports iron ore from Malaysia directly to foundries within China for construction steel manufacturing.

Costs given in the mine feasibility study (Sichuan Runbang, 2011) and additional items estimated by Geos Mining have been used to produce an indicative cash flow forecast. This has demonstrated project economic viability, assuming a product price in China of US\$110/t, which is less than average and end of year 2012 prices.

This project in combination with other operations within the CAA Resources Ltd. portfolio provides CAA with an opportunity to become a mid-sized iron ore producer.

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## Introduction

Geos Mining (Geos) are independent geological consultants from Sydney, Australia, with extensive experience in preparation of independent technical reports for Company IPO and other purposes. Details of our experience and that of the authors are included in the “Capability” section below. A glossary of technical terms is included at the end of this report.

Geos Mining was requested to prepare an independent Mineral Resource and Reserve Estimation and Assessment in accordance with the JORC code <sup>1</sup>, of the Bukit Ibam 350 Mine for CAA Resources Ltd (CAA ). CAA has commenced mining and processing at this site, and plan to expand capacity to 5Mt ore pa.

This report has been prepared as an independent assessment of that property for the use of CAA Resources Ltd. (CAA ), its advisors and associates. The initial review did not attempt to classify the mineralisation as reserves. However subsequently a mining feasibility study by Sichuan Runbang Design Co. (2011) (Sichuan Runbang) and an ore beneficiation study (Surong, 2011) were conducted and provided to Geos Mining. Vetting of these studies by Geos has found the technical work to be well designed and recorded, and assumptions used to be reasonable. Geos has used the costs in the feasibility study, together with their own knowledge of international costs for similar deposits, to confirm the economic feasibility of the project as designed. Hence Geos Mining has been able to report reserves of Probable Mineral Reserves of 105 million tonnes of iron ore with an average grade of 44.8% total Fe, in compliance with JORC standards.

Any forecasts and projections made within this report cannot be assured and factors both within and beyond the control of CAA may cause the actual outcomes to be materially different from Geos’ assessments contained in this report. Nonetheless, based on our current knowledge and enquiries, Geos Mining is not aware of any material reasons to change our assessment as at the date of this report (31/12/2012).

CAA concession consists of a single Mining Licence, Ibam 350 Mine, located 4 kilometres northwest of Bukit Ibam, Malaysia, which has a recent history of iron ore mining.

During the preparation of this report, a Technical Manager from Geos, Llyle Sawyer, visited the site of Ibam 350 Mines during 16th — 17th May 2011. Grab samples were collected from the Ibam 350 Mine that are representative of the currently mined deposit, ORE II. Several previous exploration drill sites and current mining operations were reviewed. Exploration drill hole core samples were not available to be inspected, as retained splits of mineralised intersections are held in storage off site within China, but photos of selected core intervals have been checked by Geos Mining. Brief inspections of mine faces and operation piles were undertaken to review geological and lithological relations.

<sup>1</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 published by the Joint Ore reserves Committee; the classifications used are explained in the resource section below.

Check samples taken by the author confirmed the expected grade of material currently being mined, but Geos Mining has not been able to independently verify the reported analyses of the drill core. Geos Mining has accepted and used the reported analyses in its resource estimation, as the results are compatible with the check samples and the geology as exposed at the time of the site inspection.

CAA intends to carry out further exploration and development work at Ibam 350 Mine which if successful will extend the resources and potential reserves, and permit mine expansion. The potential for economic development of any resources and reserves that have been or may be outlined by future exploration will depend on many factors including, but not limited to, the overall quality of the resource, anticipated mining and processing constraints, costs and prevailing commodity prices.

This report has been prepared on the basis of information available to Geos up to and including 31st December, 2012.

No external legal or statutory status checks have been made on the concession, Ibam 350 Mine, or of any legal requirements to explore or mine this property. Documentary evidence of the mine concession standing, further mining concession applications and contractual agreements with surrounding landowners was supplied to Geos by CAA and was considered to be sufficient and in good standing.

Unless otherwise indicated all financial figures quoted in this report refer to US Dollars (“\$”).

All grid co-ordinates are in Kertau 1948 datum, W Malayan RSO projection, (the Malaysian co-ordinate system used for cadastral information) unless otherwise stated.

## **Assessment Method and Data Sources**

The appropriate professional standards for the preparation of independent expert reports used are encompassed in JORC. This report has been prepared in accordance with the principles and relevant sections compliant with JORC and those of the Rules governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (Chapter 18 — Equity Securities — Mineral Companies) (the Listing Rules). Inferred resources, exploration targets and exploration results quoted in this report are reported in accordance with JORC (which governs reporting by Australian consultants) and in accordance with the Listing Rules standards on Mineral Resources and Reserves.

This report has been based on data, reports and other information made available by CAA, with minor addition information obtained through publicly available sources. No data has been provided or has been located by Geos relating to any historic or previous exploration within these properties.

A draft of this report was presented to CAA for comment and correction of any errors of fact prior to finalisation.

Geos has no reason to believe that any information provided by CAA is misleading or that any material facts have been withheld.

Fifty (50) exploration diamond core holes for a total length of 12291.21 meters were drilled within the Ibam 350 Mine concession commencing in March 2009 and finishing in April 2010. The exploration activities were supervised and conducted by Zhongjin Mining Geological Survey and Exploration Institute (Zhongjin) on behalf of CAA. A total of 5155 half core samples were cut and forwarded for analysis. Zhongjin also carried out a 1:2000 scale topographic survey over 1.62 km<sup>2</sup>, and estimated the resources at Ibam 350 Mine. All activities were reported to be conducted in accordance with the official Chinese sampling, analysis and resource estimation procedures and standards. No independent assay laboratory certificates have been provided.

This work is described in the report; “Detailed Geological Investigation of Malaysia Ibam 350 Mine” written by Zhongjin Geological Survey and Exploration Institute (Zhongjin Geological Survey and Exploration Institute, 2011). The ability of Geos to validate and comment on the quality of the Zhongjin exploration activities and resource estimation is limited by the amount of detail in this report.

Two other significant study reports have been provided, covering mineral processing testwork (Surong, 2011) and mine planning and feasibility (Sichuan Runbang Design Co., 2011).

Geos conducted a site visit over the period 16th — 17th May 2011, when 12 rock chip samples were collected from the ORE II deposit and stockpiles to represent the effective low, medium and high grade of the deposit. These samples were analysed by PT Intertek Utama Services of Jakarta Indonesia, who are KAN accredited, equivalent of NATA accreditation. Site inspections included inspection of several exploration drill sites and visual identification of iron mineralisation and geological information within stockpiles and mine faces, plus observations on access, land use, and potential mining constraints. At the time of the visit the on site process plant was not complete, but CAA reports this is now fully operational. CAA own processing and ore handling, analysis and stockpiling facilities in the regional state port city of Kuantan, which were not inspected.

The mine site was traversed and mineralisation was visually identified in the field. It was noted that mineralisation was marginally to very weakly magnetic, though has a reported 15% magnetite content. Observations were made on the access to the mine site, regional topography and climate, plus regional land use within the area.

Additional information has been sourced from the Geological Survey of Malaysia and other public domain sources.

All maps, plans and drill hole data, including drill hole co-ordinates, were provided to Geos by CAA. Geos conducted hand held GPS co-ordinate verification in the field, using a Garmin GPSMap 62S. Initial co-ordinates were provided in two different projections, and included minor typographical errors. These issues have been corrected and the final dataset tallies with the Geos location checks. Not all 50 drill sites were inspected due to time and access limitations, but the checks made are sufficient to give us confidence in the location accuracy. Topographic elevations were digitised from a hard copy contour map provided by CAA and there may be some errors in digitisation. Any location inaccuracy is considered minor, and not considered significant.



Drill core was not available for inspection but photographs of representative boxes of retained split core were provided. The Zhongjin report describes the sampling of the drill core and this has been supported by the core photos. Zhongjin report that internal and external assay duplicates were taken. Although Geos Mining has not reviewed the duplicate results, we have no reason to doubt the accuracy of the analyses. The reported grades from drilling are consistent with the grades from Geos samples and have been accepted for the resource estimation.

Three dimensional (3D) modelling, using Micromine geological software, has been conducted on the Ibam 350 Mine, using the exploration drilling sample assays and other data provided by CAA.

### **Statement of Capability**

Geos Mining is a specialist independent geological and mineral exploration consultants based in Sydney, NSW and operating in accordance with Australian laws and professional codes of ethics. We apply world's best practice services in an ethical, cost effective and transparent manner. Geos Mining employs in excess of 50 geological staff. Geos Mining has international exposure in Asia, Africa and the Americas and specialise in a wide range of commodities including gold, base metals, coal (including coal seam gas), iron, uranium and industrial minerals. Geos Mining was established in 1998.

Geos Mining has prepared numerous independent technical reports for IPOs, plus resource and reserve estimations, project valuations, and due diligence studies.

This report has been prepared by Geos Mining and has been compiled by Technical Manager, Llyle Sawyer and reviewed and edited by Principal Consultant, Sue Border.

#### **Sue Border (BSc Hons, Gr Dip, FAIG, FAusIMM, MMICA)**

Ms Border has 35 years experience in the minerals industry working mainly in Africa, Australia and Asia. Sue specialises in project assessment, exploration management and resource and reserve estimation. Sue's broad experience includes periods as a mine geologist, consultant, academic, and exploration manager before starting Geos. Sue is the Principal of Geos Mining, a consultancy company providing specialist exploration services to the coal, uranium, gold, base metals, iron ore and industrial minerals sectors. Sue has specialist experience in a wide variety of metals and industrial minerals and supervises all independent geological reports produced by Geos. Sue has carried out exploration for magnetite iron ore, valuations and assessments of hematite and magnetite deposits, and most recently managed resource upgrade and reserve estimation for a magnetite iron ore deposit in Chile. Sue has been involved in preparation of numerous independent technical reports for stock exchange listings since the early 1980s.

Sue Border is a Fellow of AusIMM (Australasian Institute of Mining & Metallurgy) and a Fellow of AIG (Australian Institute of Geoscientists).

**Llyle Sawyer (BAppSc, MAppSc, MAIG)**

Mr Sawyer is a widely experienced professional geologist in both exploration and mining with more than 15 years experience in uranium, gold, base metals and iron. He is currently employed as a Project Manager for Geos Mining. He has worked in Australia, PNG, southeast Asia and South America, has contributed to a number of independent technical reports. Llyle is a Member of the Australian Institute of Geoscientists.

All information in this report relating to Mineral Resources is based on and accurately reflects, information compiled by consultants and contractors employed by Geos Mining under the supervision of the company's Project Manager Llyle Sawyer who is a Competent or Qualified Person as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Sue Border is the competent person taking responsibility for the conversion of the resources to reserves for this project. Both have sufficient relevant experience to qualify as competent persons as defined in the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC) and the Listing Rules. Both consent to the inclusion in this report of the information in the form and context in which it appears.

Signature:

Name: Sue Border  
Qualifications: BSc Hons, Gr Dip, FAIG, FAusIMM, MMICA  
Position: Principal Consultant  
Date: 20 June 2013

**Statement of Independence**

Geos Mining is independent of all parties involved with the project activities described in this report. Geos Mining will receive a professional fee based on standard rates plus reimbursement of out of pocket expenses for the preparation of this report. The payment of these fees is not contingent upon the success or otherwise of the proposed listing or any associated fundraising. There are no pecuniary or other interests, which could be reasonably regarded as being capable of affecting the independence of Geos Mining or the undersigned. Geos Mining, the authors and members of the authors' families, have no interest in, or entitlement to, any of the project areas the subject of this report.

**Disclaimer**

While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, Geos Mining accepts no liability for any error or omission. Geos Mining can take no responsibility if the conclusions of this report are based on incomplete or misleading data.

Geos Mining and the authors are independent of CAA Resources Ltd., and have no financial interests in CAA Resources Ltd. or any associated companies. Geos Mining is being remunerated for this report on a standard fee for time basis, with no success incentives.

The sole purpose of this report is to provide an independent geological assessment of the geological and technical issues associated with this project, including a resource estimation and JORC-compliant Resource and Reserve Classification, for the Ibam 350 Mine in Malaysia operated by CAA Resources Ltd.

Neither the whole nor any part of this report nor any reference to this specific report (excluding any reference to client's data or public domain data quoted in this report) may be included in or with or attached to any document or used for any other purpose, without the written consent of Geos Mining to the form and context in which it appears.

This report has been based on data, reports and other information made available by CAA Resources Ltd., or otherwise obtained through publicly available sources. While Geos Mining has no reason to believe that any information provided by CAA Resources Ltd. is misleading or that any material facts have been withheld, Geos Mining takes no responsibility for the accuracy of work completed by others. In particular Geos Mining has not been able to independently verify the reported analyses of the drill core used in its resource estimation.

## Property Description

### LOCATION

The property consists of a single mining concession, Ibam 350 Mine Concession, covering an area of 135.9 hectares located 4 kilometres due northwest of the township of Bukit Ibam, Pahang State, Malaysia (Figure 1 & Figure 2) , within the Bukit Ibam local district.

### PROPERTY OWNERSHIP

The concession consists of a single Mining Licence, CML 17/2010 - Ibam 350 Mine, located 4 kilometres northwest of Bukit Ibam, Malaysia, Figure 2. The concession is delineated by four corner coordinates, listed in Table 1.

Corner Point	WGS84 datum Longitude	WGS84 datum Latitude	Kertau 48 X Coordinate	Kertau 48 Y Coordinate
A	102°56'11.08932"	03°12'4.713516"	549906	354000
B	102°57'16.75008"	03°12'4.784184"	551012	354000
C	102°56'11.12424"	03°11'32.060328"	551012	353000
D	102°57'16.78428"	03°11'32.130996"	549402	353000

Table 1: Ibam 350 Mine corner point co-ordinates

The Mining Licence is located within state forest adjacent to local farming communities.

The precursor prospecting license to the current Mining concession was granted on 1st September 2009, while the Mining concession, Ibam 350 Mine, (Figure 3) was granted on 16th December 2010.

#### **ACCESS AND INFRASTRUCTURE**

Ibam 350 Mine lies approximately 18 Km by dirt road northwest of Bukit Ibam (Figure 2) and approximately 150 Km by dirt and sealed road from the port of Kuantan, where CAA operates a small quarry site with crushing, screening and stockpile facilities (Figure 1). The terrain is steep and vehicular access is limited to the 18 Km of dirt / gravel road from Bukit Ibam (Figure 2, Photo 1) and, within the mining concession, undeveloped tracks along exploration drilling lines (Figure 3, Photo 2). All other areas within the concession can only be accessed by walking.

Currently electricity is supplied by an on-site diesel generator. Water is currently being sourced from local streams and natural runoff and pumping from a containment pond.

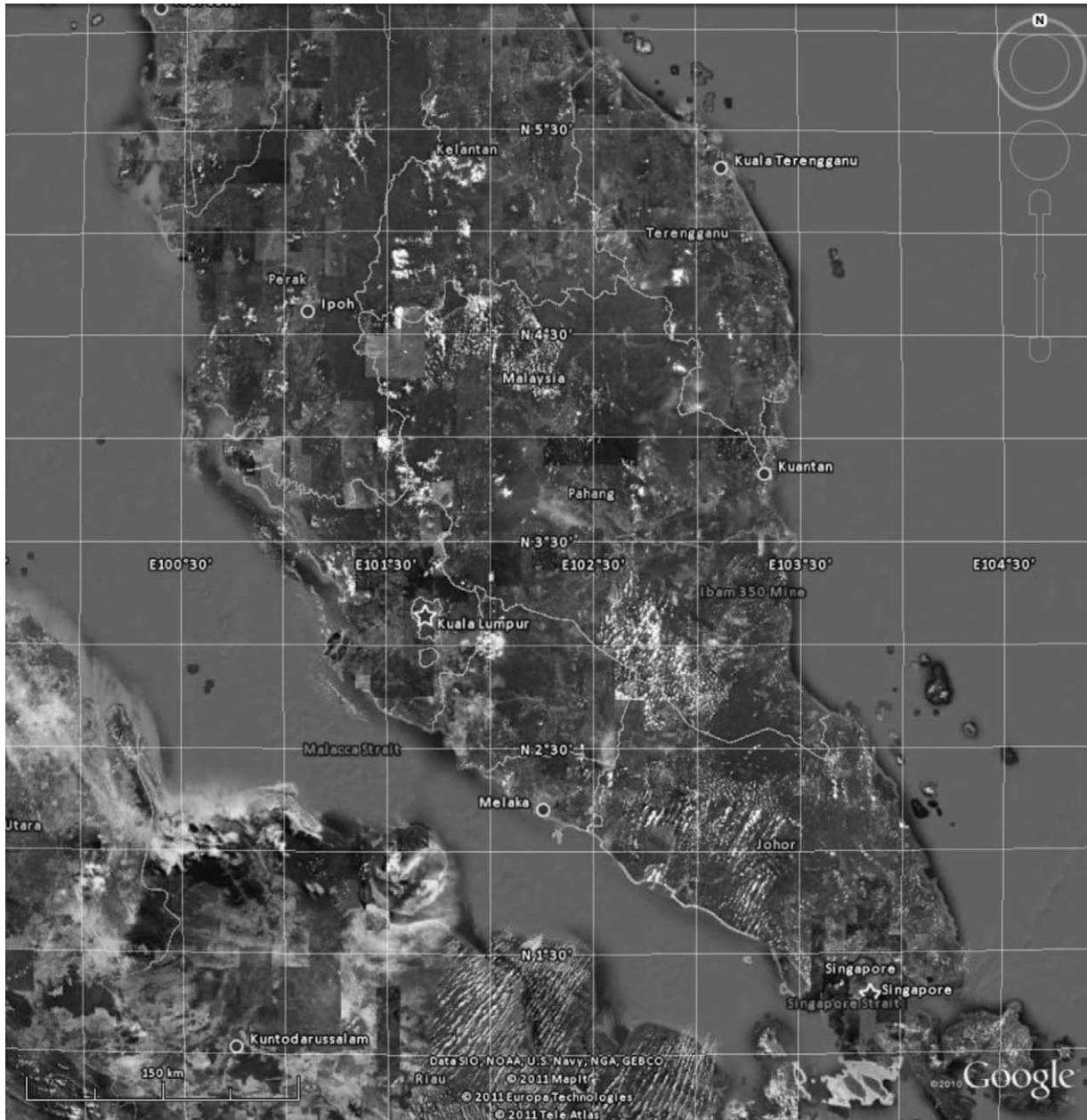


Figure 1: Regional satellite image (Google Earth, 2011; WGS 84 lat. long.), showing Ibam 350 Mine location within Malaysia and highlighted route from Bukit Ibam to Kuantan

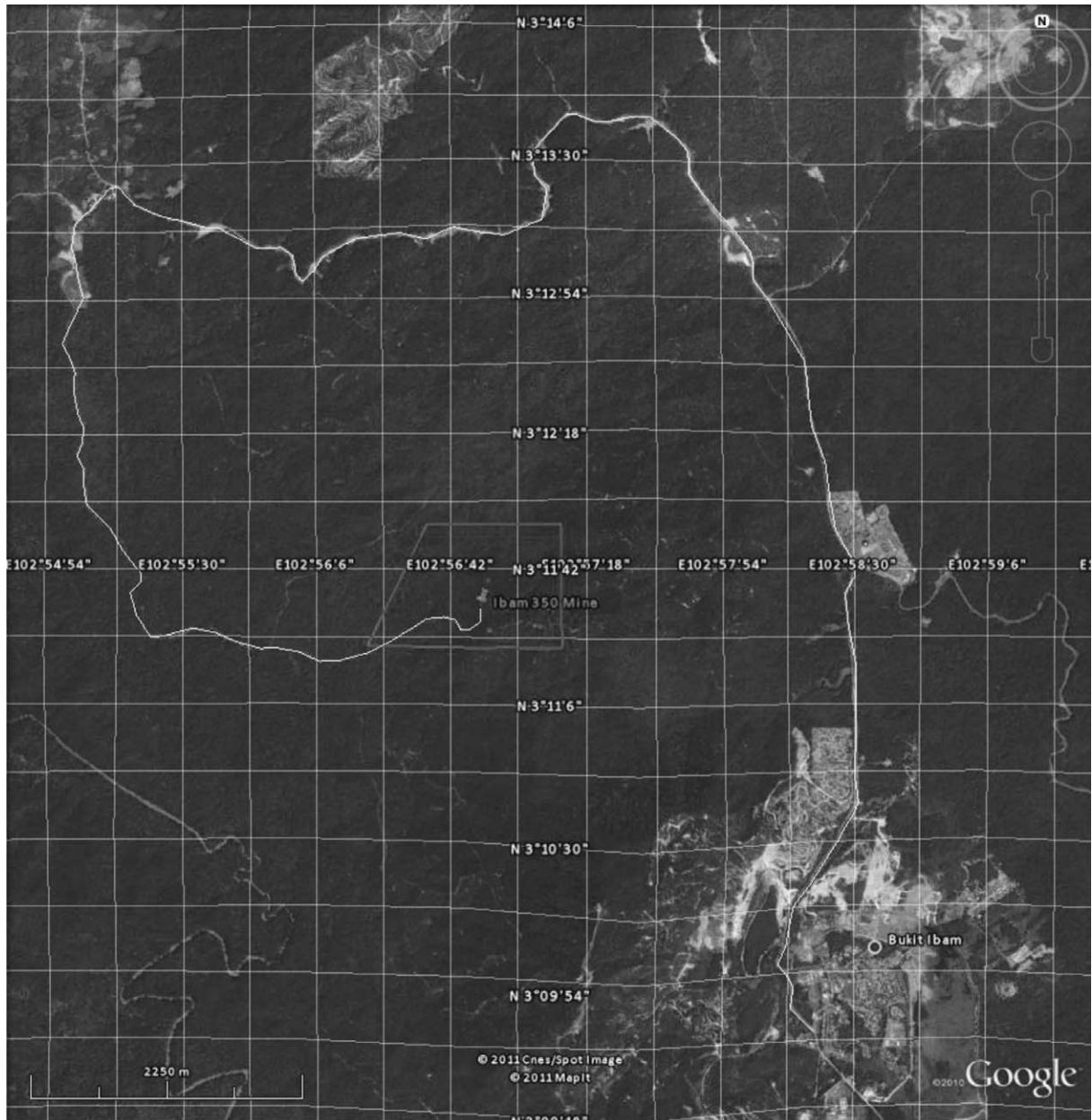


Figure 2: Satellite image (Google Earth, 2011; WGS 84 lat. long.), Ibam 350 Mine, showing Mining Concession boundary, approximate access route from and proximity to Bukit Ibam



Photo 1: Access road into / from Ibam 350 Mine



Photo 2: Unformed exploration drill line access tracks



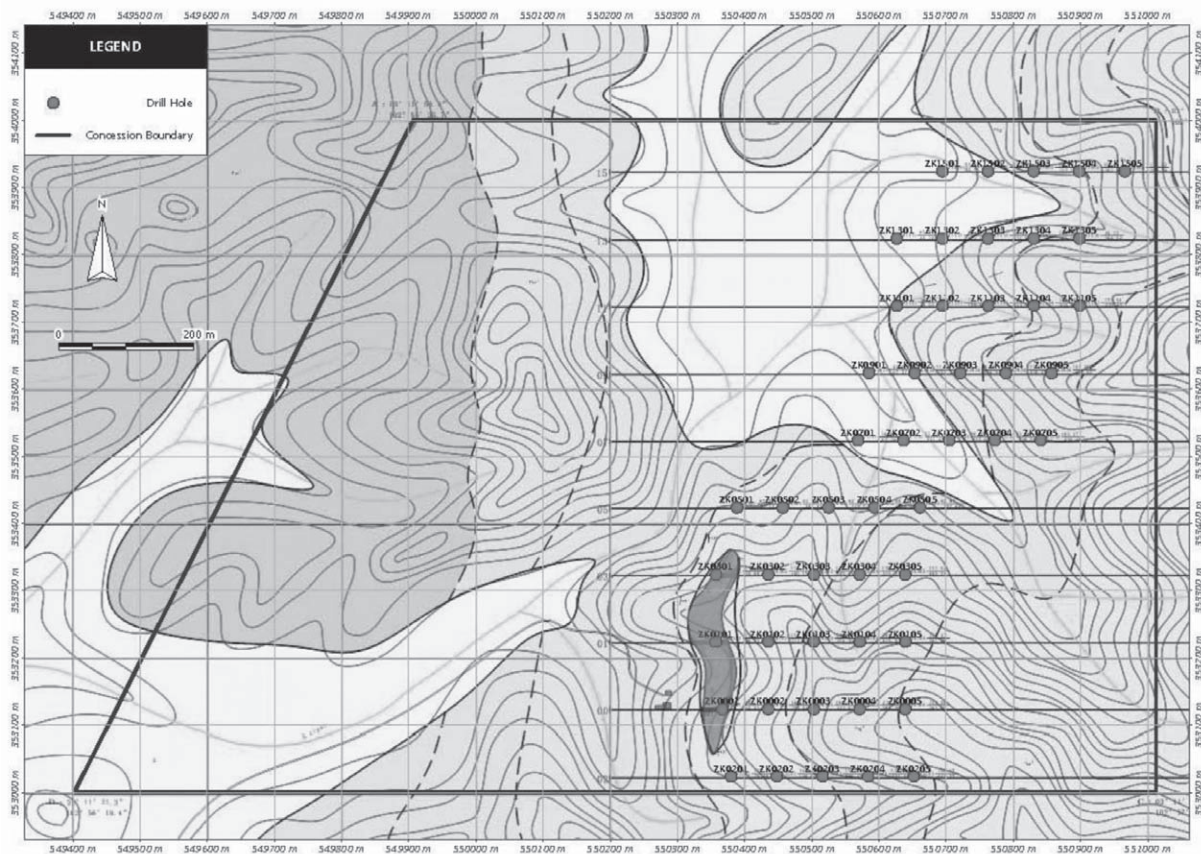


Figure 3: Ibam 350 Mine plan, showing Mining Licence boundary, drill hole locations (red dots), local geology colour background and topographic contours (Zhongjin Geological Survey and Exploration Institute, 2011)

## CLIMATE

Malaysia lies entirely in the equatorial zone. The climate is hot and humid with relative humidity ranging from 80 — 90%, except in the highlands. The temperature averages from 20 to 30 degrees Celsius throughout the year. The climate is governed by the regime of the north-east and south-west monsoons which blow alternately during the course of the year. The monsoon season varies between the east and west coasts. The west coast has its monsoon from September through to December with the east coast monsoon occurs from October through to February. East Malaysia can receive up to 5080mm of rain a year compared to 2500mm in the West Malaysian portion of the peninsula. Being tropical, rainfall occurs throughout the year.

Pahang State, which contains the Mining Concession, Ibam 350 Mine, experiences its rainy season from November to January and the highest precipitation occurs in December with between 2000mm to 2500mm falling over the entire area. The annual average rainfall is 1800mm. Production in open cut mining operations is expected to be restricted due to the monsoon season, and a maximum production of up to 11 months per year could be anticipated.

**TOPOGRAPHY**

The Malaysian Peninsular is divided by a mountainous spine known as the Main Range or *Banjaran Titiwangsa*, which runs from the Thailand border southwards to Negeri Sembila. This mountain range effectively separates the eastern Malaysia portion of the peninsula from western Malaysia.

Ibam 350 Mine lies within an area of steep though low relief terrain (Figure 2 & Figure 3) within *Banjaran Titiwangsa*. The landform consists of low range eroded remnant mountain landform now a series of low to moderate relief hills. In general there is a division of the topographical form within the concession from high relief in the east of 210m altitude to low hills of 1460m altitude in the central west (Photo 3), with the concession divided into three main topographical highs by the S. Cipai River and its tributary which have an altitude of 55m, which defines the base of erosion. The concession area has a relative relief of 165 meters.



Photo 3: Regional view southwest across Ibam 350 Mining concession  
(Note mobile crusher plant and ore stockpile in centre field of photograph)

The highest regional topographical point is that of Bukit Sembilan, at 321 m altitude, this mountain is located ~3 kilometres south of Ibam 350 Mine concession.

## FLORA AND FAUNA

The Ibam 350 Mine concession is located within the Bukit Ibam Stateland forest reserve. This area has over 90% forest coverage mostly dominated by trees from the *Dipterocarpaceae* family, and is referred to as a 'dipterocarp forest'. This type of forest can be classified according to altitude into lowland dipterocarp forest (LDF), up to 300m above sea level, and hill dipterocarp forest (HDF) found in elevation of between 300m and 750m above sea level, and the upper dipterocarp forests (UDF), from 750m to 1,200m above sea level. Most of the forest within Ibam 350 mine is within the LDF to HDF classifications which grow over hilly and rugged terrain. Typical rainforest cover is shown in Photo 1, Photo 2, and Photo 3. Highland forests which form only a minor component of the forest within the Ibam 350 Mine concession on the eastern upland peaks have been recently recognised as important biologically diverse regions and also for their other ecological functions.

A diverse range of fauna are also noted to be found in this forest region including unique species of birds, tigers, snakes, monkeys, elephants and wild boar. A Department of Wildlife and National Parks survey, 1985, of elephant numbers within Malaysia peninsula found that there was a herd of 15 elephants within the Bukit Ibam State Forest area.

The reserve is home for several orang asli communities of the Jakun tribe, and is an important source of timber products for these peoples.

## HYDROLOGY

*Banjaran Titiwangsa* is an important water catchment area for the whole of Peninsular Malaysia. Hydrological information from topographical maps (Figure 3) and data for the Ibam 350 mine concession area indicates that the main surface runoff is into tributaries of and into the S.Cipai River. In general the S.Cipai River and its tributaries flow to the southwest (Photo 3). The S. Cipai River passes through the southwest corner of the concession (Figure 3). The S. Cipai River joins the S.Jeran River 2.5 kilometres southwest of the concession which then continues south where it joins the S.Rompin River.

Pahang State, which contains the Mining Concession, Ibam 350 Mine, experiences its heaviest rains during December. The annual precipitation is from 2000 — 3000mm. Average rainfall for Pahang State in 2010 is shown in Figure 4. Note the rain on the south western hills in Photo 3, this photo was taken in May 2011.

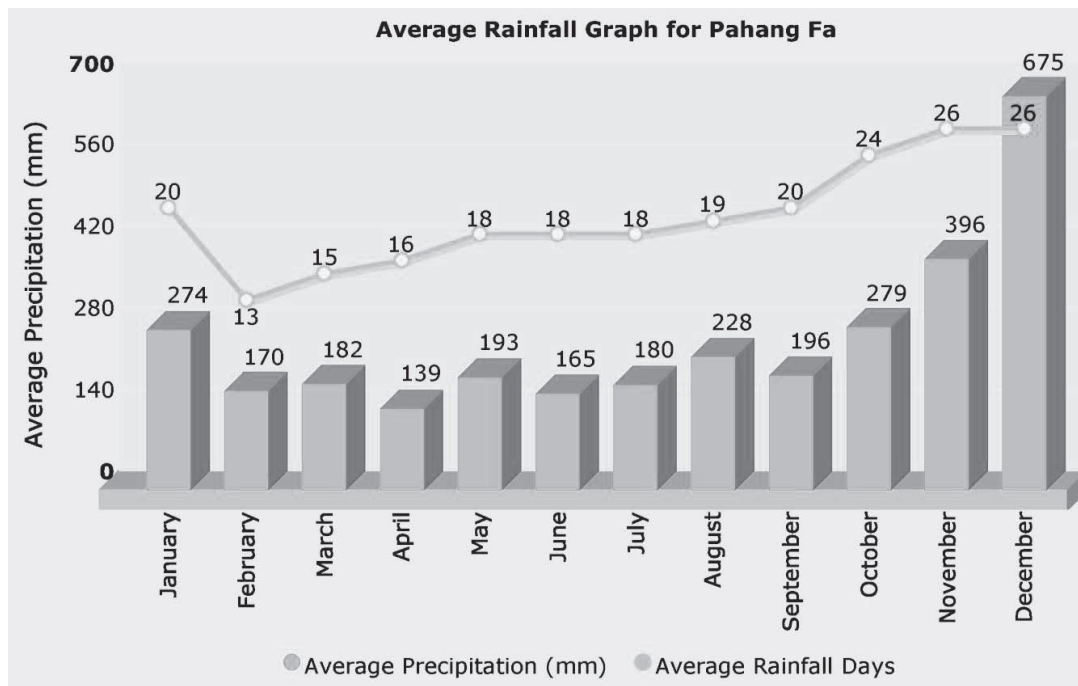


Figure 4: Pahang Fa, Malaysia Weather Averages 2010 (World Weather Online, 2011)

Steep slopes and disturbed soil on slopes are sensitive areas prone to extensive soil erosion. Disturbances in the hinterland will most certainly affect stream turbidity downstream.

## History

No data has been provided or has been located by Geos to indicate there has been any historic / previous exploration within Ibam 350 Mine concession prior to the exploration work undertaken by Zhongjin Geological Survey and Exploration Institute (Zhongjin Geological Survey and Exploration Institute, 2011) on behalf of CAA.

Zhongjin Geological Survey and Exploration Institute (Zhongjin Geological Survey and Exploration Institute, 2011) summarise the regional geological work conducted by the Natural Resources and Environment Department of Malaysia and former government agencies.

Several companies have conducted geological investigations adjacent to and covering the historical Bukit Ibam magnetite-haematite Iron Ore Mine at Bukit Ibam, ~4 km to the southeast. Bukit Ibam mine was opened in 1962 and iron ore mining on a small to medium scale has continued in this region to the present day. Little regional work was conducted, from the records we have been able to obtain.

**2009 — 2011 WORK PROGRAM**

The reported geological exploration work commenced in March 2009 and continued to delivery of a final report in January 2011 (Zhongjin Geological Survey and Exploration Institute, 2011). The activities completed are documented in the Zhongjin Geological Survey and Exploration Institute report (Zhongjin Geological Survey and Exploration Institute, 2011) and listed in Table 1-2 of that report.

In summary, investigations of hydrology and environmental factors were undertaken in conjunction with 1:2000 scale geological mapping of the concession. The work by Zhongjin Geological Survey and Exploration Institute (Zhongjin Geological Survey and Exploration Institute, 2011) focused on definition of the rock units, their ages, stratigraphical sequence, lithological characteristics, thickness, attitude and distribution within the concession. The location and spatial distribution of the known deposit was confirmed by exploratory trench and systematic pattern drilling in accordance with Chinese standards for Type II Surveys.

These exploration activities located two mineralised bodies, ORE I and ORE II, which dip from west to east at 45-52 degrees. ORE I (which was located first) is overlain to the east by ORE II, and the two are separated by 9-21 m of ferruginous shale interburden.

From sampling and analysis work of the exploration drilling a Resource classed as 331 in the Chinese resource reporting standard classification (generally considered similar to a JORC Measured Resource classification) of 109.09 million tons of haematite with an average grade of 47.04% total iron (Total Fe) and an additional 53.08 million tonnes of haematite classed as 333 in the Chinese resource reporting standard classification (generally considered similar to a JORC Inferred Resource) was reported, for a total iron ore resource (331+333) of 162.17 million tonnes with an average thickness of 53.9 meters (Zhongjin Geological Survey and Exploration Institute, 2011).

In addition, process testwork has been carried out (Surong, 2011) and mine planning and feasibility studies completed (Sichuan Runbang, 2011).

Trial mining has commenced and is reported to be operating at the rate of up to 50,000 tonnes/month (pers. comm. Capture Advantage, 2011, 2012). The planned full scale mining operation is at the rate of 5 million tonnes per annum. CAA report production of 161,361t of final product up until the end of June 2012.

**Geology****REGIONAL GEOLOGY**

Tectonically the Malay Peninsula forms part of the regional SE Asian Sunda Shield. The Triassic fold-mountain belt forming the spine of the peninsula, *Banjaran Titiwangsa*, continues from eastern Burma through Thailand, the Malay Peninsula, the Banka and Billiton Islands, and eastwards into Indonesian Borneo. Formations and units ranging from the Cambrian to the Quaternary are represented throughout the Malay Peninsula.

Triassic and older strata are essentially marine sediments whereas the post-Triassic rocks are characteristically non-marine. Sedimentation was continuous throughout the Palaeozoic and Mesozoic. Due to tectonic instability major sedimentation breaks are apparent within and between the Palaeozoic, Mesozoic, and Cainozoic groups of rocks. Intrusive granitoid units occupy almost half the peninsula, commonly forming topographic highs, notably in the Main Range. The main episode of granitic emplacement coincides with the culminating late Triassic orogenic event during which all the older strata were folded and deformed.

Regional metamorphism is widespread and most of the Palaeozoic and Mesozoic rocks show slight to moderate deformation. The regional metamorphic grade does not exceed greenschist facies. Contact metamorphosed rocks generally form narrow aureoles around the igneous bodies. The major metallic mineralisation is attributed to have occurred during granite emplacement and is commonly associated with faulting. Faulting is common and at least three sets of faults have been recognised on a regional scale, NS, NW and NE, the youngest of which are the post-Early Cretaceous NE faults.

The Machinchang Formation in the northwest of the peninsula provides the oldest evidence of sedimentation. This is a shallow-water, current-bedded sandstone and shale formation. The extent of this early basin may have transgressed as far as Malacca by the Ordovician. During the Silurian thick successions of limestone and graptolitic shale were laid down. Periodic volcanic activity also occurred with mainly acidic tuffs being deposited in Kedah and northern Perak areas. During the Devonian sedimentation continued as a thick succession of limestone in central Perak and as clastics in the northwest. East of the Main Range in the foothill regions of western Pahang and southwest Kelantan the Devonian sediments consist of graptolitic shale, chert, quartzite and intra-formational conglomerate with minor intrusive ophiolitic rocks. The Upper Palaeozoic sedimentary units, Kenny Hill Formation, Singa Formation, and Kati Formation, unconformably overlie the Lower Palaeozoic sequences.

Thick formations of Lower Carboniferous limestone in central Pahang and carbonaceous shale with limestone lenses in east Pahang provide the earliest indications of the formation of a basin to the east of the Main Range. Sedimentation into this basin was typically shallow marine and, in Kelantan, was probably continuous till the Early Permian. The sediments deposited consist of four main facies: (i) argillaceous, (ii) volcanic, (iii) calcareous, and (iv) arenaceous. Sedimentation was intermittent with volcanism which appears to have continued from the Carboniferous through the Permian to the Triassic (Figure 5). The general relationship of the Triassic units with the underlying Permian units is one of unconformity to disconformity. Lower Triassic limestone is common, after which the strata became more arenaceous and argillaceous in character. The Middle and Upper Triassic are characterised by a flysch-type sedimentation. Widespread volcanic activity with the eruption of andesite and other intermediate to acid tuffs and lavas occurred in the axial basin. The Upper Triassic orogeny was accompanied by granitic intrusions and brought an end to marine sedimentation in the peninsula.

Post-Triassic sediments are essentially continental in character and are described as molasses. These Upper Jurassic-Lower Cretaceous sediments in the Malay Peninsula overlie the older rocks with

marked unconformity. The sedimentary basins occupy a zone on the eastern portion of the peninsula from Gunung Gagau in the north to Gunung Pantii in the south. The sedimentary units consist essentially of sandstone, conglomerate and shales with minor coal seams and volcanic units. They exhibit fluvial, lacustrine and deltaic deposition features.

The Tertiary rocks are distributed onshore as isolated lacustrine basins underlying Quaternary sediments. The Quaternary sediments consist mainly of unconsolidated to semi-consolidated gravel, sand, clay and silt and occupy the coastal terrains and floors of some of the inland valleys.

Tin ore is found in many parts of Peninsular Malaysia and is richest in the Kinta, Batang Padang, Batang Berjuntai and Klang Valley. Base metals like copper, lead and zinc are known in Ulu Sokor (Kelantan), Tasik Chini and the Mengapur area (Pahang). Gold is found along the central axial belt from Kelantan (Sungai Pergau, Sungai Galas) to Pahang (Merapoh, Kuala Lipis, Raub), Terengganu (Lubuk Mandi), Negeri Sembilan and Johor (Gunung Ledang). Iron ore is mined on a very small scale from mines in Pahang (Bukit Ibam, Ibam 350 Mine), Kedah, Perak and Johor.

#### **OTHER RELEVANT DATA AND INFORMATION**

The following summary is based on a Malaysian Geological Survey report by Hassan, Zakaria, and Lee (Zaidi Hassan, 1992).

Iron mining commenced first in Johore State, with mining activity initiated in the Sri Medan area in 1921. Four iron mines located in the Sri Medan area (Johore), Bukit Besi (Terengganu), Machang Satahun (Terengganu) and Temangan (Kelantan) supplied most of the ore until 1965, while Bukit Besi iron mines continued to be active until 1971. Several new iron mines in Kedah, Selangor, Johore and Pahang (Bukit Ibam ) were opened in the late 1950s and early 1960s.

Existing iron mines and major deposits/occurrences are located primarily in Pahang, Johore and Perak, with smaller deposits in Terengganu, Kedah and Kelantan. Among the major deposits are Bukit Besi in Terengganu, Gunong Jerai in Kedah, Kinta Valley in Perak, Temangan Mine in Kelantan and in the Mengapur area in Pahang.

Both primary and secondary iron ores are mined commercially.

The known iron deposits are found proximal to granitoids and limestone, indicating their genetic relationship with igneous rocks and/or a magmatic heat source. Association with intermediate volcanic host-rocks, both flows and pyroclastics, is observed in the Sri Medan/Bukit Kepong area in Johore.

The grades of the major iron deposits vary considerably not only amongst the various deposits but also within the deposits themselves. Within most of the deposits mined, mineralisation with grades higher than 60% Fe have been extracted, leaving behind lower grade mineralisation.

Eighteen primary iron mines composed of magnetite, haematite and limonite showed that the grades of primary iron ores range from 50.0 to 77.5% Fe, averaging 67% Fe. Primary iron deposits from Perak are mostly derived from metasomatic replacement of haematite in limestone while in the other states they are formed either by contact metasomatism or by hydrothermal activities.

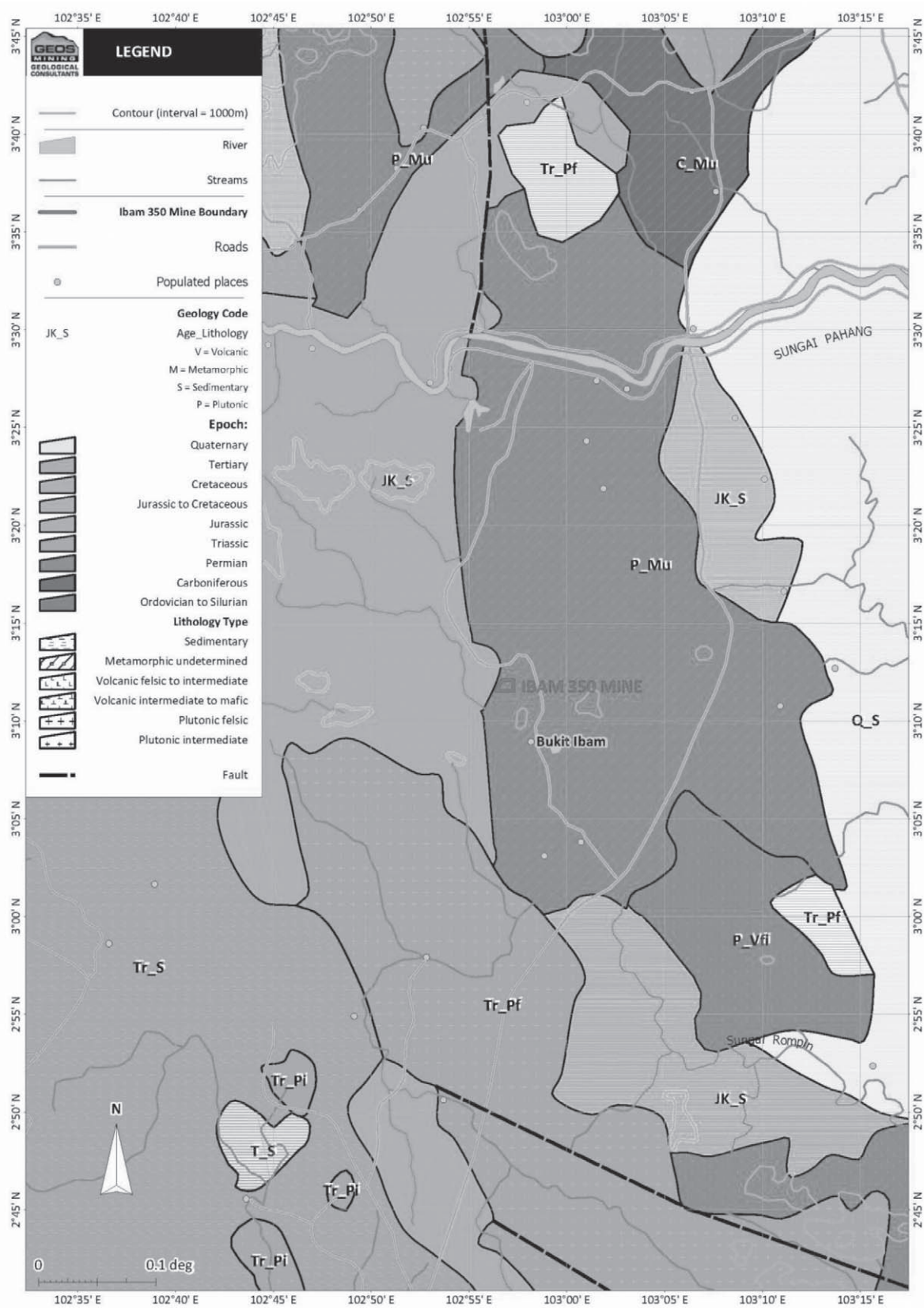


Figure 5: Regional geology of the Ibam 350 Mine area, showing the concession lies within weakly metamorphosed sedimentary units proximal to a Permian — Cretaceous faulted(?) unconformity.



The grade from twelve secondary iron mines ranges from 40% to 66.4% Fe, averaging 49% Fe. Secondary iron deposits are formed either by mechanical and/ or residual processes. The deposits in Perak consist of detrital haematite while in the other States the deposits occur as magnetite or haematite boulders or float. Limonite is occasionally present as iron capping.

The Malaysian Geological Survey identified a total of 83 iron deposits within Peninsular Malaysia, although this may not be a complete compilation. The largest deposit quoted is at Bukit Besi, with 74 million tonnes, of which more than half had been mined in 1992 (Zaidi Hassan, 1992).

In Malaysia, the typical grade of iron ore mined is around 50-60% Fe, so upgrading of the Malaysian iron ore is usually required before marketing. Lower grade ores can also be upgraded and a minimum cut-off grade for mining is believed to be around 40% Fe. Haematite with the minimum amount of magnetite is particularly favourable for upgrading in view of its ease in extraction and upgrading.

Deposits which have been exploited are usually located close to roads and railways as iron is a low-priced and bulk commodity, although recent iron ore price rises have made less easily accessible deposits more attractive for mining.

### **IBAM 350 MINE GEOLOGY**

The majority of the area is covered with thick tropical vegetation and, where the ground is exposed, by yellow Quaternary lateritic clay.

The report by Zhongjin Geological Survey and Exploration Institute (Zhongjin Geological Survey and Exploration Institute, 2011) details the local and regional geology.

In brief the haematite mineralisation lies within the Upper Permian Guamusang Group which occurs from the central portion of the concession to the eastern boundary. Typical stratigraphic sequence is a basal conglomerate (not observed) with facies change to ferruginous siltstone (observed) which is overlain by weakly sericitised arenaceous shale (shown in Photo 4). This shale is the footwall to the haematite enriched shale of the ORE I deposit, and is in part hanging-wall to ORE I, and hence footwall to ORE II, which is overlain or in faulted contact with an upper haematitic siltstone.

Due to the limited available time on the site visit, the state of the mine cuts and lack of drill core to inspect, the precise stratigraphic sequence and other geological characteristics (alteration, metamorphism and ore characterisation) of the deposit were not able to be ascertained. However information from the mine cut inspections was all consistent with the geology sequence as reported by Zhongjin Geological Survey and Exploration Institute (2011).

All the units appear to be either conformable or have faulted contacts. Small scale faulting is common throughout the mine cuts inspected and a number of cross cutting quartz veins were observed. Details of the fault and veins' orientations and characteristics were not able to be determined from the

brief site visits. Observations of the geology, the strike and dips of the mineralisation and enclosing beds (between 46 and 56 degrees) were consistent with those reported (Zhongjin Geological Survey and Exploration Institute, 2011).



Photo 4: Dipping argillaceous shale (~45 degrees to E), note ORE II mineralisation in centre left of photo

### IBAM 350 MINE MINERALIZATION

Mineralogy, geology and textures of the mineralisation indicate that an initial sedimentary stratiform deposit has undergone some degree of alteration and remobilisation within the stratum boundaries to form an enriched stratabound deposit. Core photographs show evidence of replacement, with some vugs within the mineralisation.

Mineralisation at Ibam 350 Mine is largely non-outcropping and under cover, and dominantly haematite. Typical mineralogy is reported as 75% haematite, 15% magnetite, with the remainder as quartz sericite and lithic fragments (Zhongjin Geological Survey and Exploration Institute, 2011).

The initially located mineralisation (ORE I) was outcropping with an outcrop length of 302 meter and thickness of between 25 to 34 m (Figure 3). All other occurrences of iron ore have been determined from intersections within exploration drill holes.

From the drilling the length of the mineralisation is 900m in a north south strike orientation. From the core photographs viewed, the mineralisation style appears consistent over the strike of the deposit within the mining lease.

The thickness of mineralised bodies averages 52.92m for ORE I and 54.86m for ORE II, with a combined thickness 107.78m. ORE I and ORE II are separated by between 9m and 21m, and ORE II overlies ORE I.

From the supplied drill hole sample analyses the grade of the iron ore (ORE I and ORE II) ranges from 31% to 61%, and averages 46.8% Total Fe. The Zhongjin report states that the ranges of the contents for minor elements are P: 0.01% to 0.05% and S: 0.02% to 0.07%. These compare to the grab samples analysed which returned P: 0.011% to 0.036% and S: 0.058% to 0.1%. Silica, reported as SiO<sub>2</sub>, with an average value of 33.2% (Zhongjin Geological Survey and Exploration Institute, 2011), is high compared to the SiO<sub>2</sub> from the samples taken as part of the site visit which returned values of between 30.62% for low grade ore and 8.25% for high grade ore, averaging 18.71% SiO<sub>2</sub>.

The differences in chemistry of the site visit samples to that of the drill samples may be attributed to sampling the two different bodies of mineralisation and would be consistent with the different results reported by Zhongjin for the two ore bodies. ORE I would appear to be of slightly lower quality than the higher grade ORE II. Both however have high haematite content, low phosphorus and sulphur content and of moderate to low silica content from which, after sufficient appropriate beneficiation, a suitable export iron product may be produced.

The Zhongjin report notes a compact blocky texture with minor brecciation, pisolitic and banding but these textures were not generally observed during the site visit. The most commonly observed texture of the haematite mineralisation was of massive granular to platy haematite with quartz and some minor haematite banding. Some minor brecciation was noted proximal to some cross cutting veins.

## **Database**

### **DATABASE USED FOR MINERAL RESOURCE ESTIMATIONS**

The database used for the resource estimation modeling was based on the data provided in hard copy and imaged version by CAA with the report by Zhongjin (Zhongjin Geological Survey and Exploration Institute, 2011). This consisted of location co-ordinate survey results and drill hole identification numbers for 50 drill holes including the height above sea level and depth of hole. In addition sample assay results for 4,998 drill core samples were provided to Geos which included sample thickness, true thickness, sampling method, a simplified “iron ore” or “wall rock” classification and the TFe% analysis. Other drill hole sample data supplied by CAA from the Zhongjin study and used by Geos for their estimation work was the ‘volumetric weight of ore’ or specific gravity data for 42 selected samples.

Tenement corner co-ordinates were supplied within the Zhongjin report and clarified with CAA. No digital terrain data was supplied and the topographic data used was that supplied from the drill hole survey information in conjunction with an image of a portion of a topographic map covering the concession area supplied with the Zhongjin report.

## EXPLORATION DATA

Exploration activities are detailed in the Zhongjin report (Zhongjin Geological Survey and Exploration Institute, 2011) and have been designed in a logical and well guided manner.

Ten exploration drill hole lines spaced ~100m apart and each containing five cored drill holes spaced 60-80m apart along the drill lines were completed within the Ibam 350 Mine concession (Figure 3). Samples were taken for analysis of half core splits for every 2m down the core.

The Mining concession incorporates significant topographic highs and surveyed drill hole collar heights above sea level ranged from 48.9m to 219m. Depending on the location of the drill hole collar, drill hole depths ranged from 33m to 503m. The majority of drill holes penetrated through iron mineralisation, with maximum down hole depths of each of ORE I and ORE II being 316m and 408m respectively.

Exploration drill hole data as supplied to Geos are detailed in the Zhongjin report (Zhongjin Geological Survey and Exploration Institute, 2011).

During the site visit twelve grab samples were organised to be taken of ore, consisting of 4 samples taken from each of low, medium and high grade material. These were forwarded to PT Intertek Utama Services of Jakarta Indonesia, for analysis of Total Fe, SiO<sub>2</sub>, S, P, and minor elements.

## SAMPLE PREPARATION, ANALYSES

Regular sampling basic analysis forwarded only includes Total Fe though it is noted that some analyses of selected samples for metallurgical work included Total Fe, S, P, SiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, CaO, MgO, Na<sub>2</sub>O, S, K<sub>2</sub>O, CaO, TiO<sub>2</sub>, V<sub>2</sub>O<sub>5</sub>, P, As, Pb, Zn, Mn, and BaO. Zhongjin Geological Survey and Exploration Institute, (2011) conducted the chemical analyses and X-ray spectrometry is considered the most likely method used.

A hard copy and imaged version of 4,998 drill hole sample assay results for Total Fe % only was provided to Geos with the report by Zhongjin (Zhongjin Geological Survey and Exploration Institute, 2011). The basic statistics of these results are given in Table 2 below.

<b>Row Labels</b>	<b>Count</b>	<b>Average TFe (%)</b>	<b>Max TFe (%)</b>	<b>Min TFe (%)</b>
<b>Iron ore</b>	3,073	46.82	61.43	31.09
<b>wall rock</b>	1,925	24.49	51.09	3.04
<b>Grand Total</b>	<b>4,998</b>	<b>38.22</b>	<b>61.43</b>	<b>3.04</b>
<b>Quartile</b>				
<b>25th</b>		27.75		
<b>75th</b>		48.45		

Table 2: Basic statistics for the Total Fe % results supplied to Geos

The following table (Table 3) is reported as showing the average element analysis results for initial crude ore pre-processing beneficiation test work by the Ministry of Land and Mineral Resources Supervision and Testing Center (Chengdu). The table was provided by CAA in the Zhongjin report (Zhongjin Geological Survey and Exploration Institute, 2011). The minor elements are considered to be reasonable for this type of ore.

4,998 drill sample analyses of Total Fe have been provided to Geos by CAA. The average Total Fe for the total provided analyses is 38.22%.

<b>Analysis</b>	<b>TFe</b>	<b>Na<sub>2</sub>O</b>	<b>MgO</b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>SiO<sub>2</sub></b>	<b>S</b>	<b>K<sub>2</sub>O</b>	<b>CaO</b>	<b>TiO<sub>2</sub></b>	<b>V<sub>2</sub>O<sub>5</sub></b>	<b>Cr<sub>2</sub>O<sub>3</sub></b>
%	43.44	0.09	0.248	4.38	33.20	0.15	0.283	0.079	0.083	0.008	0.003
<b>Analysis</b>	<b>MnO</b>	<b>NiO</b>	<b>CuO</b>	<b>ZnO</b>	<b>Ga<sub>2</sub>O<sub>3</sub></b>	<b>As<sub>2</sub>O<sub>3</sub></b>	<b>ZrO<sub>2</sub></b>	<b>WO<sub>3</sub></b>	<b>PbO</b>	<b>BaO</b>	
%	0.054	0.004	0.026	0.041	0.002	0.005	0.002	0.034	0.006	0.006	

Table 3: Average crude ore grade as reported by Zhongjin

#### DATA VERIFICATION, QUALITY CONTROL AND QUALITY ASSURANCE

Zhongjin analysed the drill samples and no independent analytical laboratory certificates have been provided, but Zhongjin state that the samples were analysed to Chinese standard procedures (Zhongjin Geological Survey and Exploration Institute, 2011). The documented sample preparation and analysis methods include reference to checks and standards, which is recognised industry practice. CAA report that, of the 5133 samples prepared and analysed by Zhongjin, 513 samples were checked internally and 256 samples were checked externally. The results of these duplicate analyses have not been viewed by Geos Mining, but we have no reason to doubt the accuracy and validity of such samples prepared by Zhongjin in accordance with the relevant Chinese Standards.

During the site visit twelve grab samples, consisting of 4 samples taken from each of low, medium and high grade stockpiled material for quality control purposes, were taken. These were submitted to PT Intertek Utama Services of Jakarta Indonesia for analysis.

Total Fe content for these samples ranges from 41.3% to 60.3% Fe. It is evident that the phosphorous is low and decreases with increasing grade. The elevated phosphorous levels are due to increase in gangue minerals. The grab samples all display moderate to low silica values, as shown in Table 4. The grab sample assay results confirm a reduction in silica with increase in Fe grade, and suggest that crushing, washing and screening of ore material to remove silica and some fine clays should result in elevated Fe grade product.

Sample No	Fe %	P %	S%	SiO <sub>2</sub> %	AL <sub>2</sub> O <sub>3</sub> %
L1	41.74	0.034	0.098	30.18	4.52
L2	41.32	0.036	0.1	30.55	4.73
L3	41.86	0.035	0.098	30.62	4.59
L4	41.6	0.035	0.097	30.5	4.72
M1	54.53	0.027	0.078	16.8	2.53
M2	53.75	0.026	0.075	17	2.58
M3	53.98	0.027	0.072	16.63	2.57
M4	53.9	0.026	0.071	16.74	2.58
H1	59.93	0.012	0.058	9.07	1.68
H2	59.54	0.012	0.067	9.65	1.66
H3	60.06	0.011	0.058	8.52	1.64
H4	60.26	0.011	0.061	8.26	1.64

Table 4: Grab sample XRF results

Analyses for minor elements has not been supplied for all samples assayed for Total Fe, however some other constituent elements have been analysed for as indicated by tables 8-1 and 8-2 in the Zhongjin report, possibly from a select ore sample population. (Zhongjin Geological Survey and Exploration Institute, 2011). Comparison of those results with the Geos grab sample results indicates that there is some discrepancy. This variation may possibly reflect differences in laboratory procedures but is considered to more likely be normal variance between different samples from the two different mineralised bodies (the recent grab samples are from ORE II whilst the Zhongjin samples were possibly from ORE I).

The grab sample XRF results for the high grade samples indicate that this material is of sufficient Fe grade to be classed as a direct export quality product (60%), but beneficiation would probably be required to lower the silica content (generally expected to be less than 4-6%, though some customers may accept higher silica). Medium and low grade samples will require additional beneficiation to remove silica and clays and upgrade this material to an export quality product.

## BULK DENSITY MEASUREMENTS

The volumetric weight parameters for 42 ore samples were determined by Zhongjin using a “sealing wax drainage” method. Presumably this is the standard paraffin wax sealing and displacement within water method, which takes into account any vughs in the mineralisation (vughs are present as observed in drill core photographs). The volumetric weight was calculated using the formula:

$$D = \frac{W1}{(W2 - W3) - \left( \frac{W2 - W1}{d} \right)}$$

Where:

D: Volumetric weight of ore

W1: Normal weight of ore in the air

W2: Weight of sealing wax ore in the air

W3: Weight of sealing wax ore in the water

d: known Specific gravity of the wax

This method theoretically can achieve an accurate calculated volumetric weight and is a widely accepted method. However the paraffin can be difficult to apply correctly and test results may be somewhat inconsistent, but it is preferable to a simple water saturation technique.

The average specific density (volumetric weight) of the 42 iron ore samples was 3.78 T/m<sup>3</sup>. This average figure was used for all resource estimation calculations by Zhongjin. No volumetric weights for waste rock were presented to Geos.

Geos used a formula approach to calculate the volumetric tonnage in order to include all sampled results in the resource estimation. The formula is based on the volumetric weight of the 42 ore sample results forwarded by CAA , and allows for the increasing bulk density with increasing iron content.

The formula used is:

$$SG = 1.57 + (\text{total Fe \% of sample} / 100 * 4.9)$$

Where 1.57 is considered to be the average specific gravity of the mixture of clay and weathered to semi-weathered siltstone, plus quartz. The average total specific gravity for solid 100% haematite was taken to be 4.9. These values were acquired from standard specific gravity tables freely available in many texts.

The average density used to calculate tonnage was 3.75 tonnes per cubic metre, which is only marginally different from that used by Zhongjin in their calculations (Zhongjin Geological Survey and Exploration Institute, 2011). Both approaches are valid for this level of resource estimation and the low level of difference reflects the relative consistency of the initial ore samples tested.

It should be noted that there is an estimated 5% iron present as silicate minerals in the samples as determined by Zhongjin's mineralogy work. This indicates that silica would be a component of the overall specific gravity of the ore, therefore the marginally lower Geos calculated specific gravities can be considered to be more appropriate.

## Mineral Resources and Ore Reserves

### MINERAL RESOURCE / ORES RESERVES CLASSIFICATION SYSTEM

The mineral resources reported within this document have been estimated in accordance with the current applicable revised Australasian Code for Reporting of Exploration Results and Mineral Resources and Ore Reserves, JORC (2004) Code (The Joint Ore Reserves Committee, 2004).

The basic JORC framework for classifying tonnage and grade estimates to reflect different levels of geological confidence and different degrees of technical and economic evaluation is set out in the Joint Ore Reserves Committee Code (2004). A Mineral Resource is “a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction”. Mineral Resources are estimated by a competent person, usually a geologist, on the basis of geo-scientific information with some input from other disciplines. Mineral Resources can be reported as Measured Mineral Resource, Indicated Mineral Resource or Inferred Mineral Resource, Figure 6, according to the level of geological knowledge and degree of confidence, with the Measured category being the highest confidence and the Inferred the lowest.

Ore Reserves are defined as the economically minable part of the Indicated and Measured Mineral Resources (shown within the dashed outline in Figure 6). These require consideration of the Modifying Factors affecting extraction, and should in most instances be estimated with input from a range of disciplines. The Modifying factors are listed in Figure 6.

Measured Mineral Resources may convert to either Proved Ore Reserves or Probable Ore Reserves. The Competent Person may convert Measured Mineral Resources to Probable Ore Reserves because of uncertainties associated with some or all of the Modifying Factors which are taken into account in the conversion from Mineral Resources to Ore Reserves. This relationship is shown by the dotted arrow in Figure 6. Although the trend of the dotted arrow includes a vertical component, it does not, in this instance, imply a reduction in the level of geological knowledge or confidence. This is the case for the current reserve estimate at Ibam, where Measured Resource has been converted to a Probable Reserve.



For further definition of the classification system JORC (The Joint Ore Reserves Committee, 2004) the reader is encouraged to refer to the specific code document.

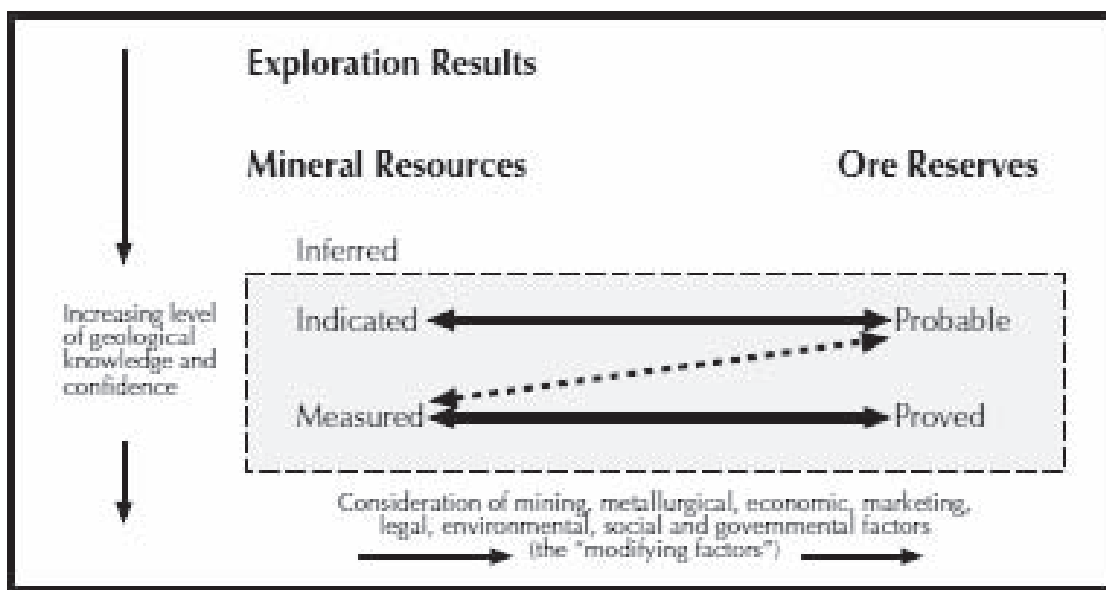


Figure 6: General relationship between Exploration Results, Mineral Resources and Ore Reserves

## GENERAL PROCEDURES AND PARAMETERS FOR THE MINERAL RESOURCE ESTIMATION

Three dimensional (3D) modelling of the Ibam 350 Mine ore bodies was completed using Micromine 3D geological modelling software to produce a 3D solid suitable for volume calculations.

### RESOURCE PARAMETERS

Modelling incorporated data provided by the client including the concession boundary, drill hole collar locations, down hole depths and assay results (cited in report by Zhongjin Geological Survey and Exploration Institute, 2011). CAA also provided a 2D plan image of the topography, contoured at 10m intervals. This formed the "top" bounding surface for volume calculations.

The majority of drill holes penetrated through the mineralisation. A bounding total resource envelope of mineralisation for each body, ORE I and ORE II, was confined to the limits imposed by the drilling along each drill line and assay grade greater than 35% total Fe.

The bounding envelopes were projected easterly down dip according to the geological and analysis data presented by Zhongjin (2011). Beyond the last drill hole on each line the envelopes were projected to a maximum of half the distance between drill hole spacing, or to the concession boundary where that was closer. The envelopes were projected to the southern concession boundary and only to half the drill line spacing beyond the northern most drill hole line. The maximum projection outside the drill hole was 60m.

The western extent of the mineralisation envelopes were delineated by outcrop of ORE I, drilling intersections of the ore and by topography.

Closed geological solids, wireframes, were then produced within Micromine from the bounding envelopes and volumes calculated from within the “ore body solids”.

Variogram statistics were used to determine the parameters to be used for ordinary Kriging estimation of individual block average grades. The average down hole grade for each 2m true thickness intersection was calculated as a weighted average. The calculated weighted average grade was then used to calculate 20m x 20m x 5m block grades within each ore body (Figure 7).

The Measured Mineral Resource estimate was defined by the current limit of drilling along each drill line and projected between drill lines. This limiting ‘envelope’ was also restricted to the occurrences of the iron mineralisation ‘greater than or equal to’ ( $\geq$ ) a cut-off grade of 35% T Fe within the drill holes.

A bounding wireframe envelope was constructed to the above parameters for each ore body, ORE I and ORE II, within Micromine. The volume tonnage and grade estimated within these closed wireframes was conducted within Micromine similarly to that previously undertaken for the total resource.

Ore tonnages outside of the Measured Mineral Resource and included in the total resource are classed as Inferred Mineral Resources.

CONFIDENCE LEVELS

The overall confidence levels of the modelling were within an acceptable level for the data available.

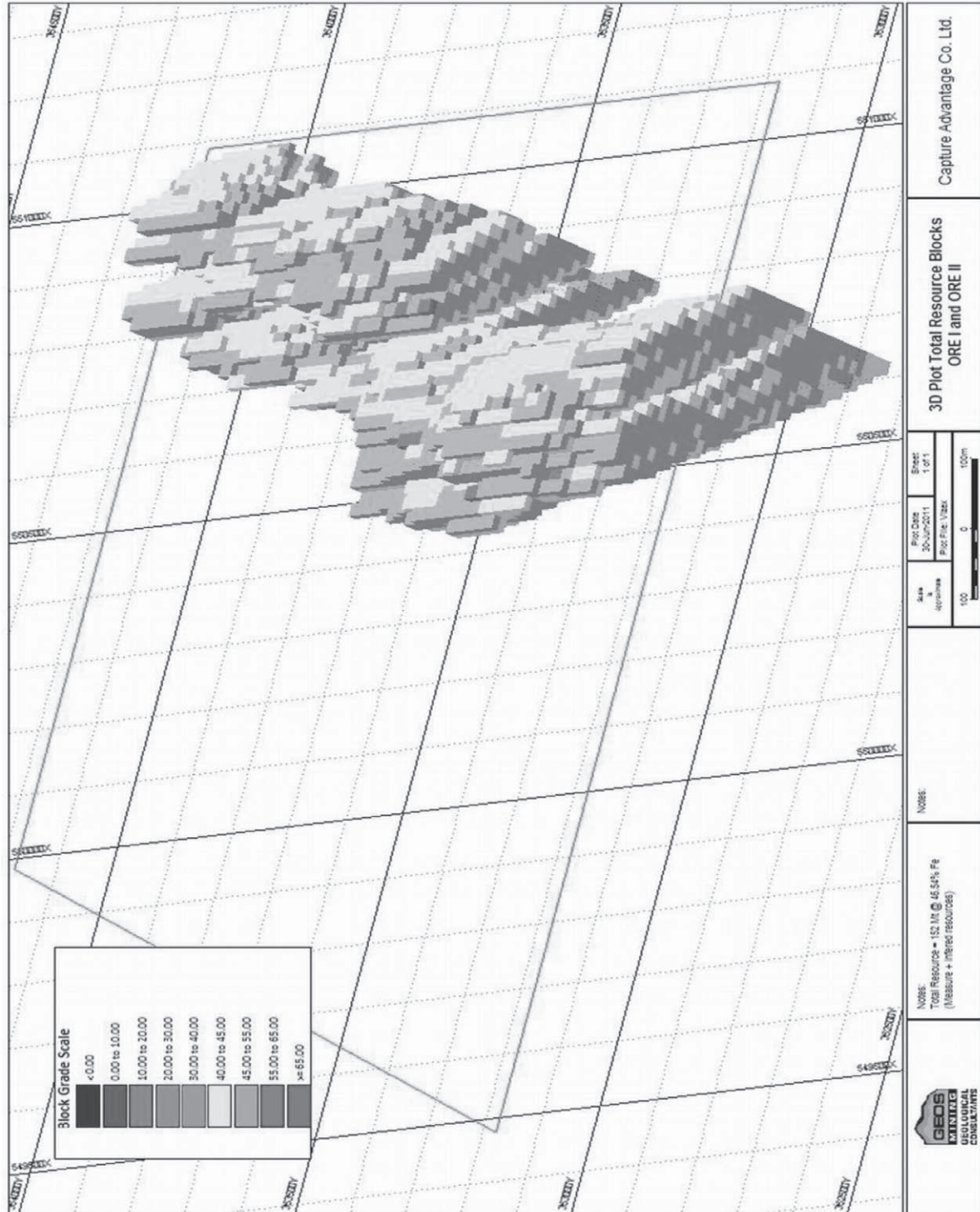


Figure 7: Total Resource ore body block solids

## MINERAL RESOURCE ESTIMATIONS

*Total Mineral Resource*

Geos modelling has produced a total resource estimate for **equal to or greater than 35% Total Fe** (T Fe) content ore of **152 million tonnes** of iron mineralisation with an **average grade of 46.5% Total Fe**. The total resources for the individual ore bodies and combined total are shown in Table 5. These figures have been updated to remove ore mined up until end of December 2012.

NAME	VOLUME (M m <sup>3</sup> )	TONNAGE (Mt)	GRADE T Fe (%)
ORE I	23.8	91.8	46.5
ORE II	15.6	60.2	46.6
<b>TOTAL (Measured + Inferred)</b>	<b>39.4</b>	<b>152.0</b>	<b>46.5</b>

Table 5: Ibam 350 Mine Total Resource estimate

This resource has been classified into Measured and Inferred Resources in compliance with the JORC Code (The Joint Ore Reserves Committee, 2004).

*Measured Mineral Resource*

This modelling produced a **Measured Mineral Resource Estimate** of **110 million tonnes** of iron mineralisation with an **average grade of 46.7% Total Fe**. The Measured Resource for the individual ore bodies and combined total Measured Resource are shown in Table 6.

NAME	VOLUME (M m <sup>3</sup> )	TONNAGE (Mt)	GRADE T Fe (%)
ORE I	17.5	67.6	46.6
ORE II	11.1	42.8	46.8
<b>TOTAL Measured</b>	<b>28.6</b>	<b>110.4</b>	<b>46.7</b>

Table 6: Ibam 350 Mine Measured Resource estimate

*Inferred Mineral Resource*

Modelling of this region produced an **Inferred Mineral Resource Estimate** of **42 million tonnes** of iron mineralisation with an **average grade of 46.4% T Fe**.

The Inferred Resource for the individual ore bodies and combined total Inferred Resource are shown in Table 7.

NAME	VOLUME (M m <sup>3</sup> )	TONNAGE (Mt)	GRADE T Fe (%)
ORE I	6.3	24.2	46.4
ORE II	4.5	17.4	46.4
<b>TOTAL Inferred</b>	<b>10.8</b>	<b>41.6</b>	<b>46.4</b>

Table 7: Ibam 350 Mine Inferred Resource estimate

## DISCUSSION

The Geos estimates show some variation from the results detailed in the Zhongjin report (Zhongjin Geological Survey and Exploration Institute, 2011), Table 8. This difference is less than 6.5% of the total resource estimates and as such is within the expected accuracy of measured resource estimates for this style of deposit.

Such difference may result from variation in resources estimation approach such as; the use of a constant specific gravity versus a calculated specific gravity which may be underestimated due to silica content; differences in down dip projections of the ore body; differences in the cut-off grades used; differences in selection of bounding parameters including geological and distances projected from boundary drill holes for the encompassing total resource envelope.

NAME	VOLUME (m <sup>3</sup> )	TONNAGE (t)	GRADE T Fe (%)
ORE I	26,201,738	99,042,569.64	46.94
ORE II	16,701,552	63,131,866.56	47.14
<b>TOTAL (331 + 333)</b>	<b>42,903,290</b>	<b>162,174,436.20</b>	<b>47.04</b>

Table 8: Ibam 350 Mine Previous Resource estimate, TFe >=35%, from Zhongjin (Zhongjin Geological Survey and Exploration Institute, 2011)

Subsequent to the initial writing of this report Zhongjin were requested by CAA to conduct a resource model estimation of the tonnage of the portion of the whole deposit (both ORE I and ORE II) for the grade between 20% total Fe and 35% total Fe. The results of this were supplied to Geos by CAA and are listed in Table 9.

NAME	TONNAGE (t)
Measured (331)	71,718,827.35
Inferred (333)	7,614,000.00
<b>TOTAL (331 + 333)</b>	<b>79,332,827.35</b>

Table 9: Ibam 350 Mine Additional Resource estimate, 20%-35% T Fe, from Zhongjin (Pers comm, Capture Advantage, 2011)

Adding this total low grade resource of 79.3 million tonnes to the initial Zhongjin resource estimated tonnage of 162.2 million tonnes , gives a total of 241.5 million tonnes of resource for ore greater than 20% Total Fe.

Geos has not seen this further Zhongjin work other than to check the final resource tonnage estimate calculation, nor have Geos undertaken any re-modelling to compare for the greater than or equal to 20% T Fe to less than 35% T Fe additional resource. However given the relatively small difference in the estimated tonnage and grade from the initial work of both parties Geos have no reason to doubt this subsequent work and additional tonnage. No estimate of the final averaged grade for the total 241.5 Million tonnes was presented to Geos.

## MINERAL RESOURCE STATEMENT

Geos modelling has produced a Total Mineral Resource estimate for the greater than or equal to 35% total Fe content ore of 152 million tonnes of iron mineralisation with an average grade of 46.5% Total Fe. This resource has been classified into Measured and Inferred Resources in compliance with the mining industry benchmark JORC (2004).

The resource consists of a Measured Mineral Resource of 110 million tonnes of greater than or equal to 35% total Fe for an average grade of 46.7% TFe, plus an Inferred Mineral Resource of 42 million tonnes of greater than or equal to 35% total Fe for an average grade of 46.4% TFe.

## ORE RESERVE ESTIMATION

Mine planning (Sichuan Runbang, 2011) and mineral processing studies (Surong, 2011), have been used to support reserve estimation, based on the measured resource above. The reserve estimation process has included demonstration of expected economic viability based on an assumed production rate of 5Mt pa. Cost estimates for the mining and milling (including mill capital costs) and cost estimates for transport and shipping of concentrates are based on those used by Sichuan Runbang (2011), but have been checked against costs for similar projects, and varied in some cases.

No mine planning has been conducted by Geos. Geos have however reviewed the mine planning and scheduling carried out by Sichuan Runbang (2011). Geos has found the technical studies to be well described and based on conventional planning techniques.

Sichuan Runbang (2011) reported a total ore estimate from within the finalised open cut mining boundaries of **138.9 million tonnes** of mined iron ore at an **average in situ grade of 47.09% Total Fe**, plus 273.8 million tonnes of mined rock. This is a total of 412.65 million tonnes of combined rock and iron ore. No classification as to proved or probable reserves was reported (Sichuan Runbang, 2011), but this includes in pit Measured and Inferred resources. Note that the reported production to date has been only 404,908t to the end of December 2012, which is an insignificant amount of the total in pit ore leaving 138.5Mt remaining.

Geos has classified the recoverable (within the pit plan) portion of the Measured Resource as **Probable Ore Reserves** of 105 million tonnes iron ore at an average 44.8% Total Fe.

Geos has chosen to class the reserves as probable at this stage due to a lack of geotechnical studies to confirm the pit slopes, and a lack of detail provided for final plant design (which may affect operating costs and plant recovery). Additional documentation and a suitable geotechnical study have the potential to upgrade part or all of the probable reserve to proved status.

#### **MINE LIFE ANALYSIS**

Allowing for a 10% combined dilution and loss of ore tonnage from the Geos estimate total resource of 152 million tonnes, and using a total ore mining tonnage of 5,000,000 tonnes per year the life of the mine could be expected to be greater than 27 years (Sichuan Runbang, 2011).

Estimates of the life of mine operations from the mining feasibility study conducted by Sichuan Runbang (2011) based on the Zhongjin resource estimates extend to 29 years life with 3 years development and 2 years closure, for 24 years at full production.

#### **Additional Mineral Resources and Reserves Potential**

There is some additional exploration target down dip within ORE II mineralisation between the current limit of drilling and the eastern boundary of the tenement, which is conceptual in nature and does not meet the criteria of a mineral resource. Potential additional Mineral Resource tonnage within the current granted concession is limited due to increasing depth, possibility of mineralisation terminating and limited area to explore and in Geos' consideration possibly less than 20% of the estimated Measured Mineral Resource. The Mineral Resource however is open at depth to the east and may extend outside the concession to both the north and south. Any additional concessions along strike and to the east would be highly prospective and could increase the value of the project.

The recently modelled mineral resource estimation for the tonnage of the portion of the whole deposit (both ORE I and ORE II) for the grade between 20% total Fe and 35% total Fe is additional low grade material. Geos Mining has not carried out any optimisation of cut-off grade, but considers that this low grade material is likely to be mined and processed where it occurs within the designed

pit boundary, rather than being dumped as waste (in most cases the best economic return is gained if this is stockpiled onto a low grade stockpile for processing following completion of high grade ore extraction). Zhongjin's estimation of the low grade material (as supplied to Geos by CAA ) is listed in Table 9.

Adding this total estimate of 79.3 million tonnes to the initial Zhongjin resource estimated tonnage of 162.2 million tonnes , gives a total of 241.5 million tonnes of 331 plus 333 resources under the Chinese code, for mineralisation greater than 20% Total Fe.

## Mining

A mining study completed by Sichuan Runbang (2011) was titled a feasibility study, and includes mine planning and a simplified economic forecast. In Geos Mining opinion, by Australian standards the work recorded in this study is best termed a prefeasibility study (as the report lacks any geotechnical study, detailed engineering cost listing, market analysis or cash flow forecasts). The mine planning work (Sichuan Runbang, 2011) is well documented and in Geos' opinion conforms to current industry practices, and is a reasonable basis for estimation of ore reserves.

As the deposit consists of a mineralised strata which dips beneath the elevated topography, and much of the overburden is soft and friable, the deposit is readily amenable to open cut mining. This material is suitable for the currently used "free dig" technique using hydraulic excavators in a typical "truck and shovel" operation. Due to the topography and dip of the ore bodies there is a moderate to high amount of pre-stripping of overburden required. During the site visit overburden was being efficiently removed with the assistance of a bulldozer after the vegetation had been cleared.

Mine planning includes allowance for all deeper overburden and ore to require blasting; any free dig material will therefore reduce expected costs.



## MINE PRODUCTION

Mining to date (January 2011 — end December 2012) has been reported to total over 404,908t, as detailed in Table 10. Note that production was reduced in the December quarter of 2011 as the on-site beneficiation plant was upgraded.

Quarter ending	TONNAGE (t)			
	Ore mined and crushed	Monthly average grades		
March 2011	40,121	38.2	42.3	42.6
June 2011	64,101	45.2	46.6	45.8
September 2011	27,956	47.2	47.5	47.4
December 2011	9,956	47.5	48.2	48.1
March 2012	50,185	48.1	48.3	41.4
June 2012	72,678	42.4	46.6	44.3
September 2012	61,006	42.8	47.5	47.2
December 2012	78,905	na	47.9	47.8
<b>TOTAL</b>	<b>404,908</b>			

Table 10: Mine production, 2011 -2012 (reported by CAA on 27/3/2012 and 22/01/2013)

These ore grades are consistent with our expectations, and with the average grade of the ore reserves.

## MINE EXPANSION

Planned mine production is for 5 Million tonnes of ore per year.

The various planned stages of development mining and stripping volumes as given in the mining feasibility study are tabulated below, Table 11, which shows the diluted ore tonnes and grade. Note that this assumed a rapid ramp up to full production; more recent production plans, which take into account the existing smaller scale mining, are given below. The final stripping ratio given in the mining feasibility report (Sichuan Runbang, 2011) is low at 1.97:1 t/t, or 2.75:1 v/v, which is considered to be reasonable given the geological model.

Slopes used in the mine planning feasibility study are in accord with industry standards, but will need to be confirmed by geotechnical studies as the pit is deepened.

Equipment selection has been included in the mining study. Conventional open cut mining is planned, using drill and blast, 6.5m<sup>3</sup> excavators loading 68t tipper trucks, with a full range of support equipment including blast hole rigs, dozers, front end loaders, fuel truck, water truck etc. The maximum ramp slope is designed at 8°. The bench height is 15m and the minimum width of the working area is 45m.

The mining recovery is predicted to be 95% and the mining dilution is 5% (Sichuan Runbang, 2011). These parameters are considered reasonable for this style of ore body.

Year	Produced ore volume and quantity		Produced ore grade	Stripping rock volume and quantity		Total stripping volume and quantity	
	$m^3$	$t$	T Fe (%)	$m^3$	$t$	$m^3$	$t$
	1st year	423,300	1,600,00	44.5	5,076,700	13,707,100	5,500,000
2nd year	992,100	3,750,000	44.7	4,897,900	13,224,400	5,890,000	16,974,400
3rd year	1,322,800	5,000,000	45.1	4,657,200	12,574,600	5,980,000	17,574,600
4th year	1,322,800	5,000,000	44.6	4,657,200	12,331,600	5,890,000	17,331,600
5th year	1,322,800	5,000,000	45.1	4,457,200	12,034,600	5,780,000	17,034,600
6th year	1,322,800	5,000,000	45.3	3,657,200	9,874,600	4,980,000	14,874,600
7th year	1,322,800	5,000,000	44.8	3,557,200	9,604,600	4,880,000	14,604,600
8th year	1,322,800	5,000,000	44.7	3,497,200	9,442,600	4,820,000	14,442,600
9th year	1,322,800	5,000,000	43.9	3,487,200	9,415,600	4,810,000	14,415,600
10th year	1,322,800	5,000,000	44.9	3,457,200	9,334,600	4,780,000	14,334,600
11th year	1,322,800	5,000,000	44.5	2,567,200	6,931,600	3,890,000	11,931,600
12th year	1,322,800	5,000,000	44.8	2,457,200	6,634,600	3,780,000	11,634,600
13th year	1,322,800	5,000,000	45.3	2,427,200	6,553,600	3,750,000	11,553,600
14th year	1,322,800	5,000,000	44.7	2,427,200	6,553,600	3,750,000	11,553,600
15th year	1,322,800	5,000,000	44.5	2,377,200	6,418,600	3,700,000	11,418,600
16th year	1,322,800	5,000,000	44.6	2,457,200	6,634,600	3,780,000	11,634,600
17th year	1,322,800	5,000,000	44.5	547,200	1,477,600	1,870,000	6,477,600
18th year	1,322,800	5,000,000	45.7	437,200	1,180,600	1,760,000	6,180,600
19th year	1,322,800	5,000,000	45.2	427,200	1,153,600	1,750,000	6,153,600
20th year	1,322,800	5,000,000	45.1	437,248	1,180,600	1,760,000	6,180,600
21st year	1,322,800	5,000,000	45.3	427,200	1,153,600	1,750,000	6,153,600
22nd year	1,322,800	5,000,000	44.6	227,200	613,600	1,550,000	5,613,600
23rd year	1,322,800	5,000,000	44.7	227,200	613,600	1,550,000	5,613,600
24th year	1,322,800	5,000,000	44.5	127,200	343,600	1,450,000	5,343,600
25th year	1,322,800	5,000,000	44.9	27,200	73,600	1,350,000	5,073,600
26th year	1,322,800	5,000,000	45.3	127,200	343,600	1,450,000	5,343,600
27th year	1,029,500	3,891,500	44.7	324,500	876,200	1,354,000	4,767,700
28th year	781,000	2,952,300	44.3	0.00	0.00	781,000	2,952,300
29th year	534,900	2,022,100	44.3	0.00	0	534,900	2,022,100
<b>Total</b>	<b>35,506,800</b>	<b>134,215,900</b>	<b>44.7</b>	<b>59,363,100</b>	<b>160,280,400</b>	<b>94,869,940</b>	<b>294,496,300</b>

Table 11: Mining/Stripping Progress Planning (Sichuan Runbang, 2011)

The open cut mine boundary, stripping ratios, mine slope design and boundary depths were based on maximum extraction of the Zhongjin resource estimate. Therefore the final mine design from this study has the open cut boundary ~150m east and ~150m south of the current mine concession borders.

CAA has informed Geos these areas fall within an application for further mining concession. Granting of the application area to the east and south would be highly beneficial to the project in terms of enhancement of both the economic feasibility of the mining operation and potential for further resources.

Geos have been advised that the area of the waste dump to the west of the current concession is within land for which there is a contractual agreement for the land use and compensation is in place with the landowners.

The 330 working days used in the feasibility study may be over optimistic considering the monsoonal climate. However this is not considered to make a large difference in the overall mine operations and, providing mining is well managed and stockpiles are maintained at the mine and the port, are likely to have only a minor effect on costs.

Sichuan Runbang (2011) concluded that new horizontal development would have a vertical progression rate of 25m/annum and a vertical strip mining rate of 15m/annum. At these rates they concluded that the designed 5 million tonnes of ore production would be met, the open cut mining capacity figures are shown in Table 12, and would be “reliable, reasonable, and stable” from both mining methods and economy aspects (Sichuan Runbang, 2011).

<b>Mined Material</b>	<b>Annual capacity</b>	<b>Daily capacity</b>	<b>Per working shift capacity</b>
	<i>(t)</i>	<i>(t)</i>	<i>(t)</i>
Rock and ore	15,000,000	45,455	15,152
Ore	5,000,000	15,152	5,051
Stripping rock	10,000,000	30,304	10,101

Table 12: Open Cut Mining Capacity (Sichuan Runbang, 2011)

These forecasts and conclusions appear reasonable considering the geology and industry standards. Final production may vary from year to year and over the life of the mine due to many factors including geological, environmental, economic and political issues.

## **Metallurgical Processing**

### **MINERAL PROCESSING TESTWORK**

The initial Zhongjin report (Zhongjin Geological Survey and Exploration Institute, 2011) suggested a preliminary beneficiation involving a simple wash, crush and sieve, followed by a ball mill grind to 0.1mm, followed by high intensity magnetic separation using a 9000 Oe magnetic density system. Zhongjin suggest the Fe content of concentrate would increase to 60.16% Total Fe, at a predicted yield of 61.27%, with 85.09% recovery of iron. This indicates that for 100 t of raw material

processed 61.27 t will be returned after beneficiation with a grade of 60.12 % Total Fe, the remaining 38.73 t of material will be tailings requiring storage. Chemical analysis of the final concentrate reported is tabulated below:

<b>Element</b>	<b>TFe</b>	<b>S</b>	<b>P</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>CaO</b>	<b>MgO</b>
Content (%)	60.49	0.031	0.027	9.36	1.15	0.18	0.23

Table 13: Suggested final product grade ( (Zhongjin Geological Survey and Exploration Institute, 2011))

These results seem reasonable in comparison to Grange Resources' metallurgical test work on magnetite ore grading on average 36.73% Fe that can be processed to produce a final product ~ 60% Fe deposit at Bukit Ibam Iron mine. No figures were available for Grange Resources' predicted final yield.

These figures were subsequently confirmed and improved by test work documented in a beneficiation study by the Ministry of Land and Mineral Resources Supervision and Testing Centre (Chengdu, Surong, 2011). Geos have reviewed this report (Surong, 2011) and the tests conducted and records appear reasonable and within acceptable industry standards and we have no reason to doubt the validity of the test results. The tests were conducted on 30 tonnes of material (the sample location is not stated in the report).

Surong (2011) concluded that the crude ore has a simple mineralogy composed mainly of the iron minerals magnetite (13%) and hematite (80%) with gangue of mainly quartz. Magnetic separation was adopted as the main method to separate the iron minerals from the gangue. Some grind optimisation tests were conducted, but no measurements of Bond work index.

The test work indicated that for a raw material consisting of 46.2% TFe grade, a concentrate of 59.4% TFe grade could be obtained, which represented a concentrate yield of 71.4% of feed tonnes and a recovery rate of 91.8% of the feed iron. The test outlined in Figure 8 consisted of 2 crushing passes, 1 ball mill pass and 2 sections of high gradient magnetic separation with the magnetic density of 6000Oe and 4000Oe was used. It was stated that "the iron ore is easy to beneficiate with a simple flow process and that the test provided a solid reference for the development of the mine" (Surong, 2011).

The final Industrial test flow chart for metallurgical work is shown in Figure 8 (Surong, 2011).

The process outlined (Figure 8) is significant in that it highlights the simple process required to upgrade this ore to a saleable product grade. The grinding tests indicated an optimum grind to be 70% of the material finer than 200 microns. The report concluded that the ore was easy to process using

the two stage magnetic separation as designed. The product from this beneficiation process is anticipated to be acceptable within the terms of the 58% TFe specifications required within the iron ore market.

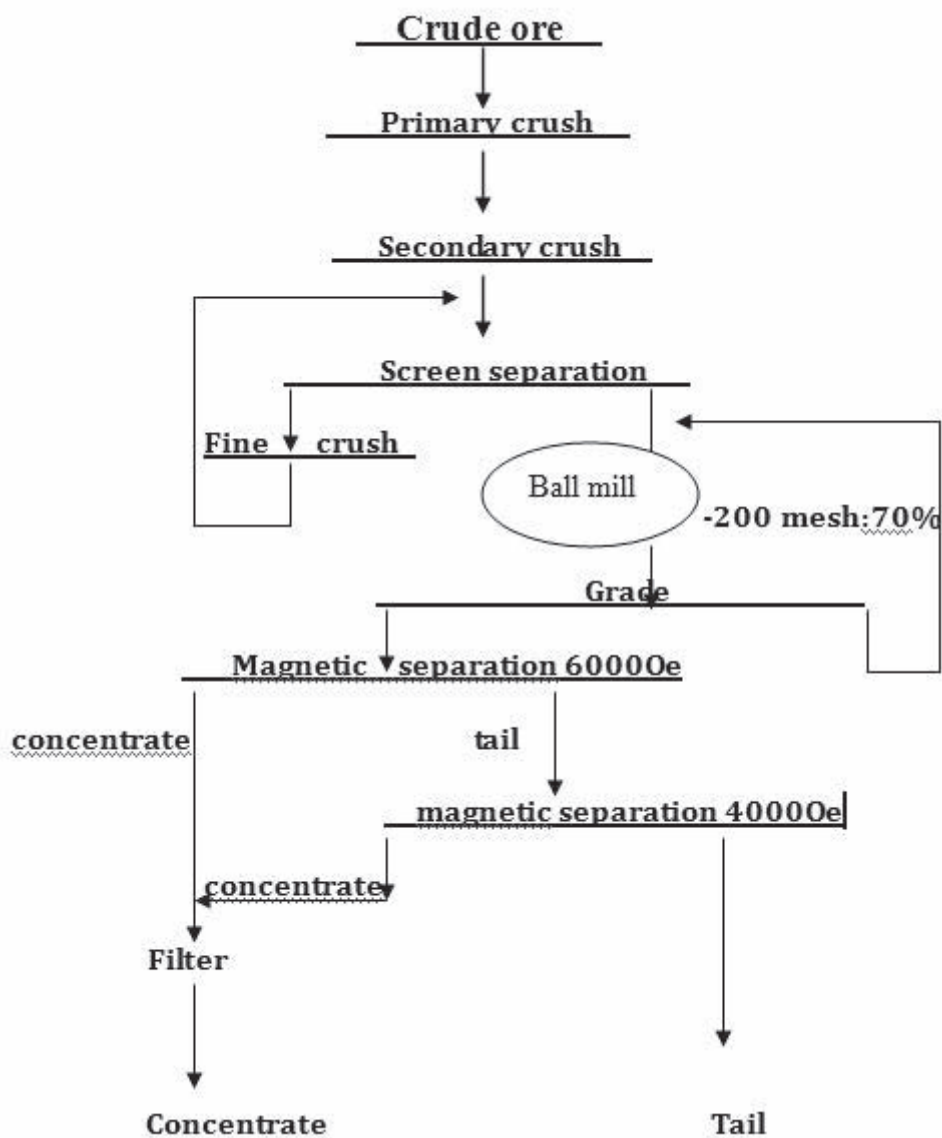


Figure 8: Final Test Process Flow Chart (Sichuan Runbang, 2011), '-200 mesh' refers to 200 micron screen

## PROCESSING PLANT

At the time of the site visit, processing of the raw material on-site included breaking the material into less than 1m sized pieces, washing and primary crushing to a nominal 50mm size. This crushed material was then transported by 68t capacity trucks via the road network to Kuantan for further processing and blending to produce the required export grade product. Primary crushing capacity on-site at Ibam 350 Mine was reported to be 50,000t per calendar month (Pers. Comm. CAA, 2011), but to date the best quarterly production has been 64,000t (under half the stated capacity).

Since the site visit, additional process capacity was installed on site in the December quarter of 2011. High grade ore is crushed through a primary jaw crusher and a secondary cone crusher to produce a sized final product for sale. Low grade ore is crushed then ground in a ball mill, size classified, and processed by magnetic separation to produce a saleable product.

Production data for 2011 provided by CAA indicate a yield of final product from crushed ore to be in the order of 80%, and the grades indicate a high metal recovery during processing. These performance figures are considered very good and are an endorsement of the quality of the process plant and operations to date.

The plant is located in the western part of the mining permit with the tails storage located at the western edge of the permit, just north of the Sungai Cipai River. Process water is taken from this river. The design shows a two stage storage (settling and overflow), with recycling of water from the overflow section. A spillway is designed to take excess water into the Sungai Cipai.

The recovery from processing is largely dependent on the magnetic character of the mineralisation (iron that is not magnetic or paramagnetic will be lost during magnetic separation) and the fines content (iron adsorbed onto clays will be lost). Although the reported figures indicate excellent performance of the existing plant, some additional testwork on the deeper parts of the orebody is recommended to determine ore variability and comminution characteristics before final engineering design of the expanded 5Mtpa plant. In addition, engineering and environmental studies should be made to confirm adequate supplies of process water and of tailings storage facilities for the expanded plant. Given the local rainfall, any shortfall of process water can be supplied by a suitably designed dam. The expanded tails storage will need to be designed to prevent uncontrolled discharge into the local catchment.

## **Economic Viability**

In order to classify any reserves at Ibam, Geos derived a cash flow forecast for the proposed 5Mtpa operation. The forecast was designed solely to determine project viability for the purpose of estimation of ore reserves, and conservative assumptions have been used where uncertainty exists. Hence this forecast should not be used to predict likely project returns, and is not a project valuation.

This forecast has been run over eight years only, as this has been sufficient to demonstrate the project viability. Stripping costs are higher in the early years.

## **OPERATING COSTS**

Sichuan Runbang (2011) in their report on the mining feasibility for the Ibam 350 Mine tabulated a series of operating costs that were based upon data provided by CAA. In addition, the latest cost figures for 2011 were provided by CAA, together with predicted costs for 2012 and future years. These have formed the basis for the base case financial analysis.

We have forecast mining costs estimated using the stripping ratios from the Sichuan Runbang mine planning figures and costs from Sichuan Runbang and our own cost estimates based on industry standards, and the operation is profitable using these assumptions. We have examined a number of forecast cases, but we have not carried out any formal sensitivity analysis.

Current mining is on a smaller scale, and actual historic and forecast costs for 2011 — 2013 (based on data presented by CAA ) are tabulated in Table 14. Production is increasing and should continue to increase, with 2.5Mt production planned for 2014 and 3.2Mt in 2015.

### CAPITAL COSTS

From data provided by CAA, Sichuan Runbang (2011) estimated the capital expenditure for the Ibam 350 Mine to total US \$50.5M. This was the capital estimated to be required to achieve the planned 5 mtpa production. CAA has provided an increased capital estimate, as outlined in Table 15, totalling US\$77M.

Geos has not audited or verified all of these figures, but has no reason to doubt their validity. The final capital cost estimate range of US \$50.5M - \$77M is considered reasonable and is within a similar order of magnitude to a similar operation in Chile. Although local site factors may make project to project comparisons misleading, Geos has no reason to doubt the estimates of the capital costs are sufficiently accurate to enable the estimation of ore reserves.

Items	2011 actuals		2012 actuals		2013 expected		2014 expected		2015 onward expected	
	MYR	US\$	MYR	US\$	MYR	US\$	MYR	US\$	MYR	US\$
<b>Production</b>	<i>100,510 t</i>		<i>178,770 t</i>		<i>1,204,000 t</i>		<i>2,496,000 t</i>		<i>3,180,000 t (2015)</i>	
Contract mining	36	\$11.61	36	\$11.61	25	\$ 8.06	25	\$ 8.06	25	\$ 8.06
Landholder royalty	40	\$12.90	40	\$12.90	40	\$12.90	40	\$12.90	40	\$12.90
<b>Mining cost</b>	76	\$24.52	76	\$24.52	65	\$20.96	65	\$20.96	65	\$20.96
Contract crushing	19.6	\$ 6.32	19.6	\$ 6.32	14.3	\$ 4.61	14.3	\$ 4.61	14.3	\$ 4.61
Workforce										
Employment	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97	3	\$ 0.97
Consumables	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94	6	\$ 1.94
Fuel, Electricity and Water	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81	18	\$ 5.81
Contingency, rehab	—	—	2	\$ 0.65	2	\$ 0.65	2	\$ 0.65	2	\$ 0.65
<b>Total Processing Cost</b>	46.6	\$15.03	48.6	\$15.68	43.3	\$13.98	43.3	\$13.98	43.3	\$13.98
On and Off-site Management	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39	1.2	\$ 0.39
Transport to port, port costs and marketing	40.8	\$13.16	40.8	\$13.16	30.9	\$ 9.97	30.9	\$ 9.97	30.9	\$ 9.97
<b>Total Cash Cost</b>	164.6	\$53.10	166.6	\$53.74	140.4	\$45.30	140.4	\$45.30	140.4	\$45.30
Depreciation	4.2	\$ 1.36	3.9	\$ 1.25	3.9	\$ 1.25	3.9	\$ 1.25	3.9	\$ 1.25
Pre Tax Operating Cost	168.8	\$54.46	170.5	\$54.99	144.3	\$46.55	144.3	\$46.55	144.3	\$46.55
Indicative shipping costs to Chinese port	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00	46.5	\$15.00
<b>Forecast pre-tax Operating Cost, inclusive of shipping</b>	215.3	\$69.46	217	\$69.99	190.8	\$61.55	190.8	\$61.55	190.8	\$61.55

Table 14 Operating costs per tonne of product, 2011 — 2015 and onward

*Notes and assumptions:*

1. Conversion rate used 3.1MYR = US\$1.
2. 2013 predicted production assumes successful commissioning of additional production capacity now being installed; 2013 production may be higher if additional capacity comes on stream.
3. Planned production for 2014 is 2,496,000 t and for 2015 is 3,180,000 t.
4. Depreciation is calculated based on planned production, and include depletion charges. Depreciation dropped from 2011 to 2012 due to increased production from existing equipment. Depreciation is forecast to remain at similar levels to 2012 as increased production is balanced by increased equipment.
5. Forecasts are based on CAA forecasts, using existing average costs plus Geos Mining estimates for contingency, rehabilitation allowance and shipping costs.
6. Mining and crushing costs are forecast to decrease as contract costs are reduced by the Company supplying machinery to the contractor.
7. The transport costs to the port are forecast to decrease as contract costs are reduced by the Company supplying trucks to the contractor.

Items	30th June	Estimated July	Total	Percentage
	2012	2012 to 2015		
	(US\$ M)	(US\$ M)	(US\$ M)	
Processing Equipment and Machinery	3.65	47.46	51.11	72%
Auxiliary Facilities	—	12.54	12.54	19%
Construction and Installation	0.33	5.92	6.25	8.93%
Development activities		0.37	0.37	0.56%
Subtotal	3.98	66.29	70.27	100%
Contingency (10%)	—	6.63	6.63	—
<b>Total</b>	<b>3.98</b>	<b>72.92</b>	<b>76.90</b>	

Table 15: Capital expenditure estimates



## PROJECT VIABILITY

Geos has used the operating costs and capital costs above to construct a simplified annual cash flow forecast for the first eight years of operation. Stripping ratio has been taken from the mine planning report. Critical parameters used in the base case forecast are presented in Table 16.

Item	Units	Value	Comment
Ore: product ratio	ratio	1.4	From figures provided by CAA, based on their recovery to date. This will vary with grade of ore mined.
Ore mining cost	MYR per tonne mined	7	From Sichuan Runbang forecast
Waste mining cost	MYR per tonne mined	5	From Sichuan Runbang forecast
Income tax	percent	15%	

Table 16: Critical parameters used in Geos Mining cost forecast

Pertinent assumptions are:

- Exchange rate of MYR=US\$0.315 for base case, model remains profitable over a range of at least 0.3 — 0.33.
- Iron ore fines price in China of US\$110. This is slightly below February 2012 Chinese prices of around \$125/t for 60% Fe iron ore (Index Mundi, 2012), and allows for some further softening of the market as new projects come on stream, as some commentators predict. It is certain that fluctuations will continue to operate over the predicted life of the Ibam operations. Hence we feel that a reasonable range for the average delivered price of fines would be US\$100 — US\$130. We have used a base case price of \$110/t C & F in China, but have also checked the project viability at \$100/t, and it remains profitable at this price. However we must note that Geos Mining does not claim any special expertise in iron ore price forecasts. Hence, we advise any readers of this report to do their own research on anticipated prices.
- Plant construction completed within one year.
- Forecast plant recovery of 80%. This is typical plant recovery for the industry. It may be considered conservative for this project, given that the test work (Surong, 2011) returned a recovery of 92%, and a better recovery may be achievable, but allows for the loss in efficiency when scaling up from laboratory tests to a full scale plant.
- Income tax of 15%, with 10% depreciation as the only deduction.
- No allowance for inflation, all cost and price estimates are in today's dollars.

- No working capital has been included in this model. No delays in payments for sales have been allowed for. Inclusion of these factors would give some minor reduction in the forecast profits but not change the conclusions below.
- Forecast only run for the first eight years of production. Adding further years of production at the same iron ore price would add to net profit. Given the lower stripping ratio in later years, the project at that stage would be robust and could survive less favourable terms of trade.
- No formal sensitivity analysis has been undertaken, but the effect of varying iron ore price, exchange rate and some other costs has been examined.

The main conclusions are:

- The project is viable and this justifies the reporting of the reserves determined above.
- A more sophisticated forecast is required to predict actual project income.

We note that the current smaller scale mining has reduced project risk when compared to a greenfields operation. The reported 2011 and 2012 operating costs (Table 14) are lower than those used in our forecasts, indicating the robust nature of the project.

## **Environmental Management**

Preliminary studies (Zhongjin Geological Survey and Exploration Institute, 2011) and the later mining feasibility study (Sichuan Runbang, 2011) have both highlighted a number of environmental issues that could impact upon the mining operations.

## **HYDROGEOLOGY**

The main geological contributor to water ingress into the mine development would be from precipitation infiltration and flow along secondary fractures and joints within the host units. Observations made at the time of site visit by Geos indicate that there was very minor groundwater/water flow through joints and fractures. However as these observations were in the upper regions of the deposit the conservative view is that there would be more fracture controlled groundwater/infiltrated precipitation flow in the deeper and less elevated sections of the mine development. The major controlling faults to the deposit were observed to be infilled with a puggy clay mass along and through which water flow would be restricted. However as the inclination of the host stratum ranges from 45°-50° there is the possibility of water infiltration from precipitation along the strata boundaries. Although these are considered to be the primary geological factors that would enable water inflow into the developing mine the rate of transmissivity for these is believed to be low.

The Quaternary sedimentary sequence in the region is represented by a large areal distribution of alluvium and residual materials. These form thin hill-slope cover and thicker valley fill sequences with contained ground water being more restricted to the valley fill material areas. Hence as the proposed mine development is constrained to within the hill-slope and hillier eastern portion of the concession, groundwater from these Quaternary cover sequences is considered to add only a very minor contribution into water ingress into the operating mine.

The karst erosion of limestone outcrops is known to occur within the region. The majority of such limestone units occur below the footwall of the deposit, west of the mining operation, and hence are considered to have no contribution to water inflow into the mine development.

The hydrogeological study showed a calculated water inflow from rainfall over the mine area with infiltration through fractures and faults, with minor contribution from pore water, into the mine of a maximum of  $3.78 \times 10^5 \text{ m}^3 / \text{d}$  (Zhongjin Geological Survey and Exploration Institute, 2011). This result is high due to the calculation assuming that all of the rainfall on the area permeates into soil and secondary fractures and all this flows into the mine development. However from comparisons with other mines in the district the water inflow is expected to be far less, not exceeding  $1.50 \times 10^5 \text{ m}^3 / \text{d}$  (150 mega-liters of water per day). This would appear to agree with observations made during the site visit and previous experience in Malaysia by Geos staff.

Currently a retention pond is being utilized in the valley at the foot of the mining operations (Photo 5).



Photo 5: Retention pond for runoff and drained waters

Although the hydrogeological conditions of the mine are of a medium complex type with potential minor contributions from many sources and the main ore bodies plunge below the lowest base level of erosion (the river /stream channels), groundwater ingress into the mining development is considered to have a low impact on the operations. This risk is minimised by the construction of suitable mine surrounds drainage channel rainfall runoff diversion systems, bench and level drainage control with sump and suitable pump installation for pumping to the retention pond similar to the design outlined within the mining feasibility study (Sichuan Runbang (2011)). The use of several water storage retention ponds and the capacities as outlined in the mining feasibility study are considered to be standard industry practice. The use of float pumping stations to accommodate periodic flood events is good practice. The water drainage design although simple in concept and design is characteristic and effective for this type of mining operation.

The current tailings dam will need to be expanded as the operations expand, and environmental studies should be made of the effects of any overflow from this dam into the Sungai Cipai river.

### **GEOTECHNICAL ASPECTS**

Geotechnical work conducted by Zhongjin Geological Survey and Exploration Institute (2011) and later Sichuan Runbang (2011) indicated that several of the units are relatively weak in cohesive strength. In addition there are numerous small scale fractures and jointing, including the major ore body bounding faults and the discontinuities formed by the different strata, reducing the mechanical strength of hanging wall siltstone and shale. As mining progresses this may require reinforcement measures or shallower slopes to be adopted to prevent landslip and increase safety on site.

The siltstone-shale and argillaceous shale was considered to be of adequate strength to enable open cut mining operations, and no significant instability was apparent during the site visit. The expected high levels of water ingress into these units could reduce their strength and further reinforcement measures and/or decrease of the angle of cutback may need to be considered as the workings grow deeper.

The latter option, reduction in pit slope, has been adopted in the mine design by Sichuan Runbang (2011) for the open cut mine phase. Such measures are standard procedures for similar mining operations world wide. A programme of continual monitoring of the slope stability and geohydrogeological water inflow in the mine development should be established and maintained for the life of the mine, this is also a “best practice” approach.

### **NATIVE FAUNA**

CAA staff related to the author that elephants, tigers and monkeys are occasionally encountered adjacent to the current operations area. Careful consideration and planning for wild animal control will be required to protect both the wildlife and the workers from incidental contact which may be detrimental to either or both.

### **POLLUTION SOURCES AND CONTROL MEASURES**

From the design of construction entailing road developing and vehicle transportation, open cut mining method, blasting and scale of the mining operation the major pollutants and control measures for these are list below.

- Dust
  - Open cut mining operations involve rock drilling, stripping of rock and soil overburden as well as explosive blasting of rock and mechanical stripping and transportation of that blasted material, all these operations produce dust.
  - Mine dust prevention and dust suppression methods include adoption of wet drilling techniques, the use of dust collection equipment for dusty operations, use of water sprinkling trucks to suppress dust on the working benches and mine roads.

- Exhaust and Blasting Gas
  - CO and NOX exhaust gas and potential gases released from blasting (including blasting fumes).
  - The use of diesel machinery and the controlled blasting techniques commonly used in mining operations are both techniques which aid in limiting the emission of these gases. CO and NOX exhaust gas from the blasting are expected to have little impact on the air quality within the mine environment due to dilution of the gases with the surrounding atmosphere.
- Waste Water
  - Sources of the waste water include mining and beneficiation operations, the majority is considered to be produced from ore processing.
    - Mining Waste Water
      - o Primarily water catchment from rainfall into the mine, surface runoff water and some groundwater inflow. The main pollutants are suspended solids-silt and clay / increased water turbidity, and oils from machinery.
      - o Water can be drained or pumped to retention/settlement ponds initially within the mining bench and then to the larger retention / settlement pond adjacent to the mine. Oil on water pollution will need to be controlled by proper machinery maintenance and inspection programs. Any such pollution could be captured with oil soak material sheets at occurrence of the spill/leak or from the initial retention pond. The turbidity and presence of hydrocarbons in the river downstream of the mine should be monitored during and after mining.
    - Ore Processing Waste Water
      - o Produced from washing of mined ore
      - o Processing / washing area must have retention pond for wash water. After sedimentation settlement in this pond the waste water can be recycled for further ore washing.
- Noise
  - The noise generated during mining operations occurs from machinery operation; drilling, backhoes for loading, transportation vehicles; blasting, backhoes and other procedures.

- The use of low noise equipment, muffler collocation and other noise control measures is best practice. Blasting is a discontinuous instant noise source which with controlled blasting techniques can be minimised. The area of the mine and its surrounds are largely uninhabited so with some controlled blasting and machinery noise reduction techniques it is expected that there will be little environmental noise impact peripheral to the mine site.
- Wild Animals
  - Elephants, tigers and monkeys are occasionally encountered adjacent to the current operations area.
  - Careful consideration and planning for wild animal control, (fencing, or animal management staff) will be required to protect both the wildlife and the workers from incidental contact which may be detrimental to either or both.

The use of wet operational procedures, drilling, operational area and road wetting, for dust prevention and suppression, along with good water flow management with the use of settlement/retention pond, plus standard noise reduction and controlled blasting techniques only minor impact on the environment outside of the mine site is expected. The adoption of an integrated environmental protection and industrial safety management practice is recommended to monitor and maintain the expected low environmental impact.

## **Occupational Health and Safety**

Significant occupational health and safety (OHS) risks are considered to be present from natural occurrences (earthquake, rainstorms, lightning, etc.), geotechnical (landslips) and operational (dust, rotating machinery, blasting, etc.). These are outlined in the mine feasibility report (Sichuan Runbang, 2011) in which they outline practical and simple procedures for OHS risk reduction. These are in accord with standard mining and occupational health and safety practices. Major OHS risks with some suggested protective measures are outlined below.

- Earthquake
  - The seismic intensity level of the mine locality is seven degrees and all the built structures are to be constructed in accordance with the seven degrees fortification requirement.
- Rainstorms / Flood
  - As the mine is within a monsoon region there is potential moderate risk of mine flood from / during unseasonably heavy rainstorms. The rainy season is from November in the current year to January in next year with the highest rainfall up to 2500mm in December.

- Implement a flood control system of drainage and diversion channels for both open pit operations and waste dump operations to ensure safety.
- Although the mine drainage system is designed to reduce water ingress into the mine during heavy rainfall, particularly in the high rainfall period, unseasonably heavy rain could potentially flood the mine and overcome the ability of the water pumps to maintain the desired levels of water.
- Evacuation procedures should be instituted and training supplied to all personnel.
- Lightning
  - The mining operations are an open-air operation and as such have a potentially high risk of possible lightning strike, particularly during the stormy season. Such strikes are a strong threat to the safety of the open-air operators plus damage electrical and other equipment.
  - Appropriate operational procedures including standing down and away from equipment during lightning storms and allowing sufficient time for the threat to pass need to be put into practice and training provided to all personnel.
- Landslip
  - Host stratigraphy has good stability within the mine area with no collapses, landslides, debris flow having been noted.
  - The contacts between the roof and floor wall rocks to the ore bodies are obvious and fault bounded.
  - High steep slopes of open pit mining may reduce the stability of the slopes and increase the potential for landslides.
  - Further geotechnical research of the stability of the side wall slopes across the ore bodies is strongly recommended as this would provide a more thorough understanding and assessment of the risk to enable improved design and management of pit wall slope and stability.
- Dust
  - Blasting and open cut mining generate a lot of dust.
  - Adopt wet techniques for drilling and rock breaking and use dust capture and removal mechanisms on associated equipment.



- Adopt dust suppression measures of spraying and watering at each dust production point and along haulage/mine roads.
- Workers should be provided with and required to wear appropriate personal dust protection equipment, such as masks, wherever and whenever necessary.
- Air quality on the working benches and within the mine generally should be monitored to ensure that it remains within industrial OHS requirements
- Provide a suitable period for dust and waste gas generated by blasting and mining operations to settle and disperse before workers return to the face.
- Noise
  - Operating drilling rigs, excavators, haulage vehicles and other excavation equipment can generate a noise level of up to ~ 90 dB(A).
  - Workers should wear hearing/ear protection (ear muffs or noise modulating ear plugs) and minimize the contact time with the noise source - training be given in the use of these.
  - The use of low noise equipment, muffler co-location and other noise control measures such as noise elimination, sound insulation, vibration reduction etc is best practice.
  - Where comprehensive noise reduction/protection measures cannot be implemented, e.g. for singular one off high noise events, personal protective equipment such as earplugs, earmuffs and other personal protective measures must be supplied to the workers and used.
- Blasting
  - Blasting is a high risk activity that could easily cause harm to personnel, equipment and structures.
  - Unscheduled blasts could be triggered by lightning strike, the blasting could potentially be oversized and cause debris to be shot further than anticipated and other blasting accidents may potentially occur during the open cut mining operations.
  - Blasting management policy must include policy on; having a secure isolated explosives store, not installing detonators when there is evidence of electrical storm activity, a designated safe distance from blasting incidence, set up an early warning and blasting alarm system and to guard personnel.
  - Processing operations, waste piles, stockpiles and mining buildings are located outside of the open pit in the mine design, to prevent the damage from flying debris.

- All personnel must be evacuated from the incidence of blasting beyond the designated safety distance before blasting occurs.
- Machinery and Haulage
  - Exposed rotational components of equipment (e.g. rotating drill rods) and vehicles should have a security shield installed to prevent accidents, it may be necessary to have installed and operational anti-reverse-rotation devices on some equipment.
  - Safety rail and barriers, including reflective safety signs and markers should be installed in hazardous areas.
  - Barriers and /or establishment of “clear areas “ to be enforced in and around any elevated hoisting arm of any equipment, personnel must be informed/trained to avoid these clear areas.
  - Apply the safe distance, road layout, safety signage and safety colour use for any lifting, transportation and unloading operations in accordance with the relevant OHS regulations.
- Waste Dump / Stockpiles
  - Ensure sites selected are not within areas which have a high potential of landslip and or water saturation, and that there is sufficient / appropriate safe access and space for the operation of heavy haulage vehicles.
  - Design and manage the waste dump and stockpiles taking into account the characteristics of the rock and soil to ensure the stability of the dump / pile and prevent landslides.
  - Install runoff and flood intercepting drainage system as outlined in the mine feasibility report.
  - Construct a suitable stone dam at the lower slope of the waste dump befitting the mine design and other requirements as a containment structure for debris flow hazards.
  - Formulate an appropriate plan / schedule for the haulage of the rock and soil from mine to waste dump or stockpiles, ensure all personnel are aware of the operational plan.
  - Conduct extensive land reclamation after the mining and service period for the waste dump has ended and restore surface vegetation.
- Fire
  - Pondage of any mine inflow water in a number of suitably placed and sufficiently sized retention ponds,  $\sim > 50\text{m}^3$ , on the higher benches would provide water for fire fighting purposes.

- Fire fighting retention ponds should be located around the mine and operations sites and have water piped to set fire hydrant locations.
- Particular attention should be given to the explosive storage and fuel depot sites, office and personnel buildings should also have fire hydrant/sprinkler systems fitted.
- With the exception of the general fire hydrant / sprinkler implementation in the design, fire extinguishers and other fire fighting materials (blankets) should be installed in all buildings.
- Adopt appropriate electrical grounding safety system and lightning protection devices for the electrical equipment, no bare wires are to be used for electrical cabling.
- The adoption of these measures in the mine and processing operations should fulfil the requirements of the relevant regulations.

Furthering the employment of dedicated security officers in the mine and processing operations to manage and oversee the OHS requirements and policy / protective measures implementation will enhance the safety of the workers and the operation.

As designed and discussed in the mine feasibility study (Sichuan Runbang, 2011) positive proactive measures are outlined to be adopted for the prevention or minimisation of the hazardous factors such as dust and noise and other aspects as well as fire proofing, explosion proofing, lightning protection and personal injury protection. If the suggested mine design is used and the recommended policies and management practices are implemented then the risks to the occupational health and safety of the workers will be greatly reduced.

### **Land Reclamation**

The Ibam 350 mine is located in forested region of Bukit Ibam. The natural forest coverage is over 90% of the area. Shrubs and bushes predominate in the valley and on the hillside with thickly forested upper slopes on the hills. The mining area is sparsely populated.

### **LAND DEGRADATION**

The main damage to the land will result from the construction and operation of the open cut mining which will change the landform significantly and clear a large area of forest and from land form compression by the waste dump. Other land degradation will result from formation and use of mine haulage roads, processing and stockpiling sites, tailings dam and other ancillary supporting facilities all of which will occupy a certain area of land.

The development of the waste rock and soil dump over the time of its service period is expected to compress the land on which it is constructed and destroy the original vegetation on and to some extent around the dump site. The surface morphology and soil structure of this area will change. The dump will be composed of loose material and bare surfaces. These will be prone to surface erosion,

gully erosion, partial small scale collapse and potential debris flow during the rainy season. This is considered to be a much greater risk where a large amount of loose rocks and soil are accumulated in a valley. Dump safety design and management are important issues to be monitored and reviewed throughout the life of the mine and for a considerable period after decommissioning.

Another initial high impact on the land and considerable contribution to water and vegetation loss and soil erosion will be incurred during the construction of mine roads, processing sites, tailings dams and other supporting auxiliary facilities. However in context to the size of the open cut mine and the waste dump these have a relatively small impact. These smaller scale impact activities with the right engineering design and corrective measures including re-planting of vegetation and ‘greening’ can have a less visual impact and the environmental impact partially minimised.

## **RECLAMATION**

### **TOPSOIL AND REGOLITH**

Removed topsoil and regolith materials should be stored in properly constructed storage areas individually and used in future reclamation works as a low-cost soil source. CAA report that topsoil is being stored on site in order to facilitate rehabilitation. In order to prevent water loss and erosion of the soil the individual stored piles should be no greater than 10m in height and necessary retaining engineering measures taken. Fertility is reduced when topsoil is stored in large piles, but in this tropical environment mixing of store topsoil with newly removed topsoil should enable fertility to be restored within a reasonable period of time.

Carefully planned management of the removal of the waste rock and topsoil with the formation of small stores of these materials at appropriate bench locations within the mine and on the waste dump could aid in the reclamation of the open cut mine walls later. These would have to be carefully designed and placed so as to not pose landslip or other hazards. Potentially this placement of these stores could not only reduce the earth covering volume time and costs of the future reclamation, but also can aid in the stability of the wall slopes of the mine and waste dump and reduce the occurrence amount of water loss and soil erosion.

### **RECLAMATION OUTCOMES**

The waste dump is to be developed into woodland. As the waste is relatively benign, when compared to typical base metal mining, good rehabilitation practice should produce good results. After the service period of the waste dump is finished the dump is to be levelled and covered with the stockpiled topsoil and then planted with suitable local shrubs and grasses to enable stabilisation of the dump. A series of tree plantings may be required for encouragement of natural forest reclamation. The sloping site should allow earthworks to minimise the visual impact of the dump area, but erosion must be carefully controlled during rehabilitation.

Once the open cut mining has ceased the large pit can be used as a waste rock repository for other ore deposit stripping at the later mining stage. This would reduce the land occupation and allow for original surface vegetation regeneration over the now disused areas. Native forest shrub and grass regeneration over the mine slope walls should be encouraged after the life of the mine has finished. This will help to stabilise the steep slopes and limit erosion. Natural forest regrowth could be encouraged on the old working benches and berms.

The tails dam may be allowed to dry out and then revegetated. No chemicals are being used in the processing, and the tails are predominantly clays, quartz and fine iron oxides, all components of the local soils. It is likely that the tails area may remain waterlogged for some time after decommissioning, so consideration should be given to restoring it to a marshland environment using local water loving plants (in which case it should be engineered to handle flood conditions).

Monitoring of erosion and downstream turbidity should continue until stable ecosystems have been established, and any erosion must be promptly repaired. Providing these precautions are taken, it should be possible to return the mining area to a stable natural ecosystem without any ongoing liability to the company.

## **Community Issues**

The Mining Licence is located within the Ibam state forest adjacent to local farming communities. The author is not aware of any community issues related to the mine in this area.

## **Risk Analysis**

The mining industry inherently has a high level of risk. This risk is an accumulated risk due to factors such as the nature of the ore body, ore distribution, grade and variations in mining and ore processing which are not able to be accurately predicted or accounted for.

Ore grade and tonnage estimations are not exact calculations of the actual physical ore body but are rather an analysis of the returned results from drilling samples. In this respect even if the sampling density is high, the sample population is still very small compared with the mass of the entire deposit. Therefore any estimation for ore quantities and qualities based on this sample data will have inherent errors. The final or actual mined ore tonnage and grade may not precisely match the estimated results. In this case, the small scale mining to date has confirmed the expected ore grades in the upper parts of the orebody. Reconciliation studies should be undertaken as mining progresses, to reduce the risk that mining is not recovering all of the designated reserves.

Some uncertainties in the geological structure of the deposits require further definition by comprehensive exploration drilling.

Similarly error factors exist for any calculations of capital and operating costs for the development phase of the project, as not all the parameters affecting these estimates can be accurately defined or valued for future events.

Mining operations incomes are affected by the variation of the ore price and other market instabilities; however hedging and long-term contracts may reduce the uncertainty to some extent.

**GEOLOGICAL RISKS**

Geos Mining has limited the scope of this risk assessment to those factors relevant to this geological review. There has been only a preliminary consideration of political and environmental risks, except in so far as they impact on geological factors. Engineering, operating or marketing risk factors have only been preliminarily appraised by Geos in reviewing the mine feasibility study (Sichuan Runbang, 2011) and the beneficiation study (Surong, 2011) supplied by CAA.

Risk is based on the product of two factors: probability and consequence. For the purposes of this risk assessment Geos Mining has adopted the matrix below as a measure of geological risk (Table 17).

This risk assessment has identified the following geologically related risks, as shown in Table 18.

Geos Mining notes that many of the issues raised in this risk analysis have been noted, and management precautions suggested to mitigate the risks, in the mine feasibility report conducted for CAA (Sichuan Runbang, 2011).

CONSEQUENCE	PROBABILITY						Probability	Consequence
	A	B	C	D	E		A Common	1 Catastrophic loss
1	1	2	4	7	11	<b>HIGH 1-6</b>	B Has happened	2 Major disruption/impediment
2	3	5	8	12	16	<b>MEDIUM 7-15</b>	C Could happen	3 Moderate disruption/impediment
3	6	9	13	17	20	<b>LOW 16-25</b>	D Not likely	4 Minor disruption/impediment
4	10	14	18	21	23		E Practically impossible	5 No lasting effect
5	15	19	22	24	25			

Table 17: Risk assessment probability

**PROJECT DEVELOPMENT RISKS**

Geos has not carried out a full risk assessment of potential project development risks. The steps outlined above will be required to give a sound basis for new investment at this site.

Other studies, including geotechnical work, detailed engineering design and optimisation of the expanded plant, further resource drilling to upgrade the deeper reserves, revised site design and planning to include restrictions, concession boundary and other imposed limitations will reduce the risks of the proposed mine expansion.

<b>Factor</b>	<b>Potential Risk</b>	<b>Risk Rating</b>	<b>Control Recommendation</b>
Sampling procedures not optimised	Sampling errors may lead to poor data correlation	18 Low	Maintain strict protocol for sampling and laboratory sample preparation
	Unreliable resource estimates	13 Med	Monitor sampling methods/update resource model
Assay methods not optimised	Inaccurate grade estimates	17 Low	Risk reduced by current mining
No database	Loss of data leading to lack of verification of resource	13 Med	Establish coherent validated database with back-up systems
Resource modelling	Grade or tonnes not as modelled	17 Low	Further infill ore definition drilling to further define the ore at depth; reconciliation on current mining
	Mine planning inhibited	13 Med	
Limited detailed structural mapping	Poor understanding of geological controls	13 Med	Ensure structural mapping of surface and benches/berms at all stages
	Missed opportunities for high grade mineralisation	17 Med	
Geotechnical instability slope failure	Reduced or lost production	8 Med	Geotechnical stability rock characteristic study combined with structural mapping
Limited ground holding	Missed opportunities, mineralisation continuance	13 Med	Additional concessions to north and south would be beneficial
Water Inflow — pit flood	Reduced or lost production	13 Med	Implement water flow diversion control as in mine feasibility plan, with continued monitoring and proper pump maintenance programs

Factor	Potential Risk	Risk Rating	Control Recommendation
Increase in impurities (S, P, etc)	Loss of grade/value, hard to market product	9 Med	Increase analyses, improve sampling procedure and ore model, adapt beneficiation
Increase in interburden/gangue	Loss of grade/value	13 Med	Upgrade or re-evaluate sampling procedure and ore model
High degree of fines (<200 micron) in trial beneficiation	Loss of saleable product/increased costs to pelletize product	17 Low	Risk reduced by current production and product acceptance by customers
<b>Other Potential Risks</b>			
Lack of facilities at site	No incentives to perform well	18 Low	Construct/ upgrade facilities and equip as planned
OH&S procedures not to standard	Greater potential for injury/ death	4 High	Implement site hazard audit & monitoring programme, identify major hazards, implement risk controls
	Loss of productivity	8 Med	
Wildlife Encounters	Potential for injury/ death	5 High	Clear and fence areas around mine, train staff

Table 18: Geological Risk Assessment

## Conclusions

Gema Impak Sdn Bhd is the registered holder of the Ibam 350 Mine Mining Lease. CAA Resources Ltd. has the exclusive mining right to the Ibam 350 Mine. Exploration to date has identified a JORC (2004) compliant Measured and Inferred Resource of 152 million tonnes of haematite+/-magnetite iron mineralisation, with an average grade of 46.5% Fe. Mineralisation is open at depth to the east and may extend outside the Concession to both the north and south. There is an additional exploration target down dip between the current limit of drilling and the eastern boundary of the tenement, which is conceptual in nature and does not meet the criteria of a mineral resource. Mining and processing has commenced on a small scale, and CAA intend to expand the mine's capacity to 5 Mtpa of ore.

The topography and environmental conditions are amenable to open cut mining, although significant site works will be required on the steep terrain. Ibam 350 Mine is situated within the Bukit Ibam Forest Reserve, ~4Km directly northwest of Bukit Ibam.



The licence is located within ~150km of a seaport, and the majority of road access is via asphalt road suitable for bulk haulage.

CAA Resources Ltd. is currently directly exporting to some steel manufacturers and their respective purchase agents within China.

Costs given in the mine feasibility study (Sichuan Runbang, 2011) and additional items estimated by Geos Mining have been used to produce a cash flow forecast. This has demonstrated project economic viability, and has enabled Geos to estimate reserves, based on the mine planning conducted by Sichuan Runbang (2011). These reserves are 105Mt at 44.8% total Fe.

Risks to the successful development of the iron ore Ibam 350 Mine include an increase in phosphorus and/or sulphur content, reduction in iron grade due to lower than anticipated grades and/or increased interburden or gangue content, and increasing stripping ratio costs as mining develops. These risks can be defined and reduced by the collection of additional geological exploration data to supplement the data currently available.

Other risks include iron ore prices, processing risk (i.e. production of below specification product), and environmental risk. Further work is recommended at Ibam 350 Mine to gain additional information for efficient mine expansion. This includes additional exploration drilling, site planning, geotechnical work, detailed plant design, and environmental studies.

## Recommendations

*Geos Mining has made the recommendations below, and CAA's commitments to implement these recommendations are provided in this section.*

- 1 Further exploration drilling is recommended to define the eastern limits of the ore bodies and to define any further resources at depth. Infill lines of drilling are recommended to assist in further defining the grade and variations within the resource.

Both of these activities will further define the geology and aid in enhancing effective efficiency of the mining operations. Several of these holes should be fully cored and several designed to test for deeper mineralisation (down dip extensions). All mineralised sections and several un-mineralised metres either side of the ore bodies should be sampled, samples split and analysed. The unassayed core sample splits and un-split core should be retained on site or at warehouse to allow for independent review.

The variability of the mineralisation should also be tested to assist in plant and tailings dam design for the mine expansion.

- CAA intends to carry out this exploration drilling and infill drilling by phases. CAA plans to allocate US\$ 0.1 million per annum over the next three years starting from 2014 in exploration drilling and infill drilling.

- 2 Given the high rainfall and friable nature of the host to mineralisation, geotechnical design of pit walls is likely to be critical to avoid slope failure. Continued geotechnical investigation and monitoring and review upon completion of any further resource drilling are recommended. Several fully cored holes will be required for geotechnical analysis and slope stability calculations.
  - CAA plans to engage consultants to conduct a preliminary geotechnical report in 2013, which is estimated at cost of USD53,000, and follow up review for the next two years following 2013 and then every other year after 2015. The follow up reviews are estimated to cost US\$42,000.
- 3 Current mine plans show the pit extending outside the concession, and grant of the current application for an additional concession, and any other permitting required, will need to be completed to permit extraction of all the reserves.
  - Mine planning is ongoing in order to optimize the operations. CAA plans to engage consultants to conduct planning reviews every two years starting from 2013 and the review cost is estimated at USD42,000.
- 4 A regional review of surrounding magnetic anomalies should be completed to evaluate potential “satellite deposits” and extensions.
  - CAA plans to engage consultants to conduct a regional review and acquisition of any extra tenure to cover good prospects. The estimated cost is US\$ 0.2 million for the two years in 2016 and 2017. Follow up exploration and development will also be conducted so that resources are developed as the reserves in the existing concession start to reduce. This is budgeted at up to US\$0.5m.
- 5 From the mine feasibility study only limited further environmental and hydrological studies are considered required to determine any detrimental effects from mine runoff and tailings. Such environmental studies should be conducted to establish a baseline environmental audit of the planned mine, processing, waste stockpile and service routes. Further a monitoring program should be established to monitor the occurrence effects on the siltation of the surrounding waterways, impacts on wildlife and any degradation in flora and landform surfaces within the immediate mine operation areas.
  - CAA plans to allocate USD53,000 to conduct environmental and hydrological studies in 2014.
- 6 Careful consideration and planning will be required to protect both the wildlife and the workers from erroneous and incidental contact which may be detrimental to either or both.
  - Deforestation has reduced the wildlife in the area, CAA has conducted and will continue to provide suitable safety and environmental awareness training for its workers.

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## Glossary

Terms not included in this glossary are used in accordance with their definitions in the Australian Concise English Dictionary.

Acidic Tuff	A layer of ash rich in quartz and feldspar
Alluvium	Loose sediment that has been collected by a river and deposited along the lower part of the river course
Alteration	Change from one mineral or bulk rock type to another by chemical or thermal means
Andesite	An intermediate rock half way between a rhyolite and basalt. It has silica (SiO <sub>2</sub> ) contents around 60%
Arenaceous	Containing sand
Argillaceous	Containing or relating to minerals of the clay group
Attitude (of rocks)	Is a general term for the orientation of a line or a plane within a bedding layer
Axial basin	Middle basin
Axial Belt	Middle belt

Banding	The different mineral composition between layers of rock, this can be sometimes very obvious with a noticeable change in colour or texture
Basal (unit)	The bottom unit of a sedimentary sequence
Bounding envelopes	The boundary of a computerised model, this can be the extent of the drilling for example and may not represent the full extent of the actual mineral body being modelled
Brecciation	The break-up of a lithic layer into angular pieces which are then turned into a rock
Bulk commodity	An unpackaged commodity traded in large volumes
Cainozoic	A geological period from 65.5 Ma to present
Calcareous	Being high in Calcium Carbonate (CAA O3)
Cambrian	A geological period from 542-488.3 million years ago
Carbonaceous shale	A rock which was originally a mud/clay layer containing plant or other biological matter
Carboniferous	A geological period from the 359-299 million years ago
Chert-quartzite	A rock high in silica (SiO <sub>2</sub> )
Clastic	Composed of fragments of pre-existing rocks
Closed geological solids	A modelled body of ore/mineral
Coal seam	A layer of coal that has a consistent extent laterally usually between layers of another type of rock
Concentrate yield	The output of concentrate from a mineral processing plant as a percentage of the feed weight
Confidence level	A statistical term which signifies that additional samples taken outside the model will be explained by the model in X amount of cases. X is usually set to 95%
Conglomerate	A conglomerate is a rock consisting of individual pebbles within a finer-grained matrix that have become cemented together
Consolidated	Loose material that has become bound together and turned into rock
Cretaceous	A geological period from 145-65 million years ago

Deformation (of rock)	Deformation occurs when rocks undergo brittle or ductile forces (bending or breaking)
Deltaic	Being formed in a delta, which is a sedimentary landform at the mouth of a river (e.g. the Mississippi)
Deposition features	Features that occurred during placement of sediment. Eg low angle crossbedding is a feature found on beaches
Detrital	Matter that is washed from its original position
Diamond Core Holes	Using diamond drill heads to cut core down a borehole
Disconformity	A period of erosion or no deposition between bedding layers
Down dip	Dip is the angle at which a bedding layer tilts into the ground, down dip is indicating the direction into the ground
Drill Core	A cylindrical piece of rock that is representative of the rock layers drilled
Drill hole collar	The top of a drill hole, often reinforced with PVC piping to prevent collapse
Enriched	An area of particularly high mineralisation
Equatorial Zone	The area around the equator of the planet
Erosion	The transportation of weathered material by wind or water
Fault	A break formed when rocks break and then move relative to each other
Fe	The chemical symbol for Iron
Ferruginous Shale	Originally mud that was rich in iron that has become rock
Ferruginous siltstone	Originally silt that was rich in iron that became rock
Float	A boulder sized piece of rock that is found away from where it was originally in place
Fluvial	Of a river, material deposited by a river
Flysch	A thick series of clastic sediments layers formed during mountain building
Gangue	Valueless material that the valuable ore mineral is associated with
Grab sample	A quick sample taken over a short period of time

Granitic intrusion	An intrusion of magma that is high in silica (SiO <sub>2</sub> ) and cools underground
Graptolitic shale	A shale that is rich in graptolites. Graptolites are a type of extinct organism and their fossils are good for dating layers of rock.
Greenschist facies	A type of metamorphic rock that is formed under low temperature and moderate pressure
Grid Co-ordinates	A system that allows a location on earth to be specified by a series of numbers, there are many grid co-ordinate systems
Half core splits	A pieces of core that is split in half longitudinally
Hanging wall	The half of a fault that is thrust upwards
Host unit	A rock unit that hosts certain mineralisation
Hydrothermal activities	Activity by hydrothermal fluids, these can be from hydrothermal vents in the deep ocean or from fluids moving around intrusions
Independent Mineral Resource Assessment	An independent review of a resource done by a party that has no direct benefit from the outcome
Intraformational conglomerate	A conglomerate where the clasts are from the same area, i.e. the rocks were broken up and stayed in place to become a new rock
Iron capping	Also called Gossan, iron capping is found when all other material besides silica (SiO <sub>2</sub> ) and iron has been removed by weathering
Iron ore grade	The percentage of iron found within a particular ore
JORC Code	The Australasian Code for Reporting of Mineral Resources and Ore Reserves
Karst	A limestone landscape that is usually dominated by caves
Lacustrine	Being of a lake or lake formed
Lateritic clay	Formed by the tropical weathering of other rocks leaving only a clay residue that hardens on exposure to the sun
Limestone	A rock made up mostly of calcium carbonate (CAO), usually formed in marine settings
Limonite	Limonite is iron oxide mineral, a type of iron ore

Lithic fragments	Fragments of other rocks
Lithological characteristics	The characteristics of a rock
Magnetite	A type of iron ore that is magnetic
Massive- granular (rock texture)	Common even grained texture found in granites and other igneous rocks
Mesozoic	A geological age that is from 250-65 million years ago
Metasomatic replacement	The process of simultaneous solution and deposition whereby one mineral replaces another
Micromine	A computer software program that is used for 3D modelling
Mineralisation	The process where certain elements are accumulated in large quantities
Mining Concession	An area of land that is allocated for mining purposes
Mining dilution	Rock that is, by necessity, mined along with the ore in the mining process, subsequently lowering the grade of the ore.
Minor elements	Elements found in small amounts, generally less than 1%
Molasses (sediment)	The term “molasse” refers to the sandstones, shales and conglomerates formed as terrestrial or shallow marine deposits in front of rising mountain chains. The molasse is deposited in a foreland basin, especially on top of flysch, eg that left from erosion in the Himalaya
Monsoon	A seasonal prevailing wind in the region of the Indian subcontinent and Southeast Asia, blowing from the southwest between May and September and bringing rain (the wet monsoon), or from the northeast between October and April (the dry monsoon)
NOX gas	NO <sub>x</sub> is a generic term for mono-nitrogen oxides NO and NO <sub>2</sub> (nitric oxide and nitrogen dioxide). NO <sub>x</sub> is an air pollutant
Open cut mine	Open-pit mining, also known as open-cast mining and open-cut mining, refers to a method of extracting rock or minerals from the earth by their removal from an open pit or borrow
Ophiolitic rock (or suite)	An igneous rock consisting largely of serpentine, believed to have been formed from the submarine eruption of oceanic crustal and upper mantle material



Ore	A naturally occurring solid material from which a metal or valuable mineral can be profitably extracted
Orogenic event	A mountain building event
Outcropping	Where a rock layer is visible from the surface
P	The elemental symbol for phosphorous
Palaeozoic	A geological age spanning from 542 to 251 million years
Peninsula	A piece of land almost surrounded by water or projecting out into a body of water
Pisolitic	A pisolite is a sedimentary rock made of pisoids, which are concretionary grains - often of calcium carbonate, but sometimes of rarer minerals - which resemble ooids but are always more than 2 mm in diameter
Platey (of rock texture)	A rock texture that is layered very finely, this can be because of metamorphism
Primary Ore	The primary mineralisation from the parent rock
Probable Mineral Reserves	The expected amount of mineral present in deposit
Proximal	Next to
Puggy clay	Sticky clay usually found in sheer zones and faults
Quartz sericite	A type of rock found in low level hydrothermal environments
Quartz Veins	A band of quartz that is often deposited along fractures. The circulation of hydrothermal fluids are the method of deposition
Quaternary	A geologic period from 2.588-present Ma
Recovery	Mining ore recovery of ore is the tonnage mined compared to the tonnage scheduled or believed to be in the ground. Process plant recovery is the recovery of metal into concentrate as a percentage of the metal contained in the feed, with the remaining metal being lost into the waste streams
Regional Metamorphism	Metamorphism on a large scale, for example folding of a continent from collision
Remobilisation	The movement of a mineral from its primary ore to a secondary location

(Ore) Reserve	The economically minable portion of a mineral resource
(Mineral) Resource	An occurrence of material in the earth's crust of economic interest for eventual economic extraction
S	The element for sulphur
Sandstone	A rock made of sand
Sealing wax drainage	A method of taking bulk density measurements. This method covers the core in sealing wax to prevent inaccuracies due to water seeping into voids in the core
Secondary fractures	Fractures that run off the major fracture lines in a rock body
Secondary Ore	Secondary mineralisation, usually formed by remobilisation of the original ore
Sedimentation	The accumulation of organic and lithic material
Semi-unconsolidated	Material that hasn't quite become rock
Semi-weathered	Material that is only partially weathered
Sericitised	Altered by the creation of white mica, sericite
Silica	SiO <sub>2</sub> , the most common mineral. It is most commonly found as quartz
SiO <sub>2</sub>	See silica
Specific gravity	The ratio of the density of a substance to the density of a standard, usually water for a liquid or solid, and air for a gas.
Strata	A series of layers of rock
Stratiform	To be arranged in layers
Stratigraphical sequence	The sequence of deposition
Stratum boundaries	The limit of a stratigraphic layer i.e. the placement of its top and bottom
Stripping ratio	Stripping ratio is a mining term relating to the amount of waste extracted from an open-pit mine. A stripping ratio of 3:1, for example, means that during the mining process, three times as much waste rock as ore will be mined.
Topographic	The surface shape with contour lines joining amounts
Transgression	A relative sea level rise

Triassic	A geological period from 250-200 million years ago
Type II Survey	Exploration survey appropriate for a “Type 2” orebody in the relevant Chinese code. Type 2 orebody is defined as: (length by depth): 2000X1000, 1000X500 (m); Layered, large lenticular, continuous (thickness change index: 30-60%), quality stable (grade change index: 20-30%), simple structure; Hole spacing: level B: striking-100m, dipping-50 to 100m; Level C: striking 200m, dipping-100 to 200m
Unconformity	A surface or contact between two groups of unconformable strata
Unconsolidated	Loose sediment that is not rock
Variogram statistics	A statistical method measuring the continuity between samples so that a 3D model can be developed by interpolating data
Volcanic unit	A unit within a rock facies that was deposited from volcanic material, i.e. Tuff
Vughs	Irregular void in a rock
Water ingress	Water entering a confined space through pore penetration
Wireframe	A skeletal three-dimensional model in which only lines and vertices are represented
XRF	X-ray fluorescence (an analytical method used to determine the chemical composition of rocks)

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## APPENDIX V SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAW

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 April 2012 under the Companies Law. The Memorandum and the Articles of Association comprise its constitution.

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 12 April 2013. The following is a summary of certain provisions of the Articles:

#### (a) Directors

##### (i) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

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**APPENDIX V      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND THE CAYMAN ISLANDS COMPANIES LAW**

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) ***Power to dispose of the assets of the Company or any subsidiary***

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or

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**APPENDIX V      SUMMARY OF THE CONSTITUTION OF THE COMPANY  
AND THE CAYMAN ISLANDS COMPANIES LAW**

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other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) ***Remuneration***

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

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The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Retirement, appointment and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;



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- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) ***Borrowing powers***

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*Note:* These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) ***Proceedings of the Board***

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

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**(x) *Register of Directors and Officers***

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

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**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

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**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

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### **(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

### **(i) Notices of meetings and business to be conducted thereat**

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and,

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in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed

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by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

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**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such



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part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

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**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of

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different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

### **(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

### **(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

### **(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

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There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### **(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

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Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

### **(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

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**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 15 May 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.



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**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by either an order of the Court or by a special resolution of its members; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

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For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

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### **(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

### **(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### **(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

## **4. GENERAL**

Conyers Dill & Pearman (Cayman) Limited, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 25 April 2012. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 8 November 2012 and our principal place of business in Hong Kong is at Unit 5602, 56th Floor, The Center, 99 Queen's Road Central, Hong Kong. King & Wood Mallesons has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Memorandum and Articles of Association is set out in Appendix V to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 25 April 2012, which was subsequently transferred to Cosmo Field, which is wholly owned by Mr. Li on the same date.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by our Company of the entire issued share capital of Capture Advantage from the Existing Shareholders, on 7 April 2013, (i) the one nil paid Share then held by Cosmo Field was credited as fully paid at par and (ii) 37,499 Shares, 4,470 Shares, 2,830 Shares, 2,450 Shares, 2,000 Shares and 750 Shares, all credited as fully paid at par, were allotted and issued to Cosmo Field, Hua Heng, Cheer Thrive, Peng Rui, Up Wing and East Soar, respectively.
- (c) On 12 April 2013, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$30,000,000 by the creation of an additional 2,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised, and taking no account of any Share which may be issued pursuant to the exercise of the options granted under the Share Option Scheme, 1,500,000,000 Shares will be issued fully paid or credited as fully paid, and 1,500,000,000 Shares will remain unissued.
- (e) Other than pursuant to the general mandate to issue Shares referred to in the sub-section headed "Written resolutions of our Shareholders passed on 12 April 2013" in this appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

- (f) Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

### 3. Written resolutions of our Shareholders passed on 12 April 2013

By written resolutions of our Shareholders passed on 12 April 2013:

- (a) our Company approved and adopted the Memorandum of Association and the Articles of Association;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$30,000,000 by the creation of an additional of 2,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
- (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects;
- (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) the Over-allotment Option was approved and our Directors were authorized to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank pari passu with the then existing Shares in all respects; and
- (iv) the Capitalisation Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalise an amount of HK\$11,249,500 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 1,124,950,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the

close of business on 12 April 2013 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalisation and distributions;

- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of our Company or any Share allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum of Association and the Articles of Association or pursuant to a specific authority granted by our Shareholders or pursuant to the Global Offering, Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Share which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands to be held; or

- (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

#### 4. Corporate Reorganisation

The companies comprising our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to which our Company became the holding company of our Group. The Reorganisation included the following major steps:

- (a) On 25 April 2012, our Company was incorporated in the Cayman Islands with an authorized share capital of HK\$380,000 divided into 38,000,000 Shares with a nominal value of HK\$0.01 each, of which one Share was allotted and issued nil paid to the subscriber on 25 April 2012, which was subsequently transferred to Cosmo Field on the same date. The principal business of our Company is investment holding.
- (b) On 3 May 2012, the Existing Shareholders transferred their shares of Capture Advantage to their respective wholly-owned companies in the following manner:
  - (i) Mr. Li transferred 37,500 shares, representing 75% issued share capital of Capture Advantage to Cosmo Field at a consideration of US\$37,500;
  - (ii) Mr. Yang Jun transferred 4,470 shares, representing 8.94% issued share capital of Capture Advantage to Hua Heng at a consideration of US\$4,470;
  - (iii) Ms. Yang Yiwei transferred 2,830 shares, representing 5.66% issued share capital of Capture Advantage to Cheer Thrive at a consideration of US\$2,830;
  - (iv) Ms. Liu Ping transferred 2,450 shares, representing 4.9% issued share capital of Capture Advantage to Peng Rui at a consideration of US\$2,450;
  - (v) Ms. Jin Lixuan transferred 2,000 shares, representing 4% issued share capital of Capture Advantage to Up Wing at a consideration of US\$2,000; and

- (vi) Mr. Gao Pengxiang transferred 750 shares, representing 1.5% issued share capital of Capture Advantage to East Soar at a consideration of US\$750.
  
- (c) Pursuant to the sale and purchase agreement dated 7 April 2013, referred in item (b) of the paragraph headed “Summary of material contracts” in this appendix, our Company acquired 50,000 shares, representing the entire issued share capital of Capture Advantage. As consideration for the acquisition, (i) the one nil paid Share then held by Cosmo Field was credited as fully paid at par, and (ii) 37,499 Shares, 4,470 Shares, 2,830 Shares, 2,450 Shares, 2,000 Shares and 750 Shares, all credited as fully paid at par, were allotted and issued to Cosmo Field, Hua Heng, Cheer Thrive, Peng Rui, Up Wing and East Soar, respectively.
  
- (d) As a result, Capture Advantage became a wholly-owned subsidiary of our Company.

Immediately after completion of the share transfer referred to in item c above, our Company then became the holding company of our Group.

## **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save as described above and in “History and Corporate Structure” in this prospectus, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this prospectus.

## **6. Repurchase of our Shares by our Company**

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

### **(a) Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

#### **(i) *Shareholders’ approval***

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.



*Note:* Pursuant to the written resolutions of our Shareholders passed on 12 April 2013, a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles of Association to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits, out of our Company’s share premium account, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company’s share premium account before or at the time our Shares are repurchased or, if authorized by the Articles of Association and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a “connected person”, which includes a Director, chief executive or Substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

**(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

**(c) Exercise of the Repurchase Mandate**

Exercise in full of the Repurchase Mandate, on the basis of 1,500,000,000 Shares in issue after completion of the Capitalisation Issue and Global Offering, could accordingly result in up to 150,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

**(d) Funding of repurchase**

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

**(e) General**

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the Mining Agreement, being the iron ore mining joint-venture agreement dated 26 October 2009 entered into between Gema Impak and Pacific Mining, as supplemented by the supplementary agreement dated 17 May 2012 and the second supplementary agreement dated 5 April 2013;
- (b) the agreement for the sale and purchase of the entire issued share capital of Capture Advantage dated 7 April 2013 entered into among the Company, Cosmo Field, Hua Heng, Cheer Thrive, Peng Rui, Up Wing, East Soar, Mr. Li, Yang Jun, Yang Yiwei, Liu Ping, Jin Lixuan and Gao Pengxiang, according to which our Company acquired the entire issued share capital of Capture Advantage;
- (c) a deed of non-competition dated 9 June 2013 executed by Mr. Li and Cosmo Field in favour of our Company, details of which are set out in the paragraph headed “Non-competition undertaking” under the section headed “Relationship with Controlling Shareholders” in this prospectus;
- (d) a deed of indemnity dated 9 June 2013 executed by Mr. Li and Cosmo Field in favour of our Company containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (e) a cornerstone investment agreement dated 10 June 2013 entered into between our Company, Venus Investment Fund, China Everbright Securities (HK) Limited, and BOCI Asia Limited, pursuant to which Venus Investment Fund agreed to subscribe for our Shares in the amount of USD15,000,000;
- (f) a cornerstone investment agreement dated 10 June 2013 entered into between our Company, Mercuria Energy Group Limited, China Everbright Securities (HK) Limited, and BOCI Asia Limited, pursuant to which Mercuria Energy Group Limited agreed to subscribe for our Shares in the amount of USD8,000,000;
- (g) a cornerstone investment agreement dated 10 June 2013 entered into between our Company, Broad Resources Investment (Asia Pacific) Limited, China Everbright Securities (HK) Limited, and BOCI Asia Limited, pursuant to which Broad Resources Investment (Asia Pacific) Limited agreed to subscribe for our Shares in the amount of USD3,000,000; and
- (h) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights

### *Trademark*

As at the Latest Practicable Date, our Group had been granted the following trademark:

Trademark	Class	Application Number	Date of Registration	Expiry Date	Place of Application	Applicant
	37	302218590	11 April 2012	10 April 2022	Hong Kong	Capture Advantage

Class 37: Mining extraction, mining of minerals.

### *Domain Name*

As at the Latest Practicable Date, our Group has registered the following domain names:

Domain name	Registrant	Registration Date	Expiration Date
www.caa-resources.com	Capture Advantage	24 May 2012	24 May 2016

The website and its contents do not form part of this prospectus.

## 3. Information about the Malaysian subsidiaries of our Group

<b>Name:</b>	<b>PACIFIC MINING RESOURCES SDN. BHD.</b>
Date of incorporation:	31 August 2007
Corporate nature:	Limited liability company
Authorized Share Capital:	RM100,000
Scope of business:	Mining
Director:	Mr. Wang Er and Ms. Lim Siew Choo

<b>Name:</b>	<b>CAPTURE ADVANCE SDN. BHD.</b>
Date of Incorporation:	15 November 2007
Corporate nature:	Limited liability company
Authorized Share Capital:	RM25,000,000
Scope of business:	Mining
Director:	Mr. Li and Mr. Wang Er

### C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

#### 1. Disclosure of interests

- (a) Immediately following the completion of the Capitalisation Issue and the Global Offering but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of interest
Mr. Li ( <i>Note 1</i> )	Interest of a controlled corporation	843,750,000	56.25%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Director	Name of associated corporation	Capacity/Nature	No. of Share held	Approximate percentage of interest
Mr. Li ( <i>Note 1</i> )	Cosmo Field	Beneficial Owner	1	100%

*Notes:*

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

- (b) So far as is known to our Directors and save as disclosed in this prospectus and taking no account of any Shares which may be taken up under the Global Offering, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalisation Issue and the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

*Substantial Shareholders of our Company*

Name	Nature of Interest	Number of Shares held	Approximate percentage of shareholding
Cosmo Field	Beneficial owner	843,750,000	56.25%
Hua Heng	Beneficial owner	100,575,000	6.705%
Yang Jun	Interest in controlled corporation ( <i>note 1</i> )	100,575,000	6.705%
Venus Investment Fund	Beneficial Owner	( <i>Note 2</i> )	( <i>Note 2</i> )

(1) Mr. Yang Jun beneficially owns the entire issued share capital of Hua Heng. Therefore, Mr. Yang Jun is deemed, or taken to be, interested in all our Shares held by Hua Heng for the purpose of the SFO. Mr. Yang Jun is the sole director of Hua Heng.

(2) Assuming the mid-point Offer Price of HK\$1.45 per Offer Share and the exchange rate adopted being US\$1.00 to HK\$7.772, Venus Investment Fund will be allotted Offer Shares representing approximately 5.4% of the issued share capital of the Company upon completion of the Global Offering pursuant to the cornerstone investment agreement dated 10 June 2013 between the Company, Venus Investment Fund, China Everbright Securities (HK) Limited and BOCI Asia Limited.

## 2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

**3. Directors' remuneration**

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the period from 23 August 2010 to 31 December 2010, the two financial years ended 31 December 2011 and 31 December 2012 were approximately US\$36,000, US\$111,000 and US\$129,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2013 will be approximately US\$108,160.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

US\$

**Executive Directors**

Mr. Li	60,000
Ms. Li Xiaolan	48,000
Mr. Gong Maoqing	9,660
Mr. Wang Er	36,000
Mr. Dong Jie	9,660

US\$

**Independent non-executive Directors**

Mr. Kong Chi Mo	29,000
Dr. Li Zhongquan	12,000
Dr. Wang Ling	12,000

**4. Fees or commission received**

Save as disclosed in the sub-section headed "Commission and expenses" in the section headed "Underwriting" of this prospectus, none of our Directors or the experts named in the sub-section headed "Consents of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 34 to the Accountants' Report set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be issued pursuant to options which may be granted under our Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.



**D. SHARE OPTION SCHEME****(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	12 April 2013, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

**(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 12 April 2013:

**(i) Purpose of the Share Option Scheme**

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide 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 promote the success of the business of our Group.

**(ii) Who may join and basis of eligibility**

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 in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

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

(iii) *Price of Shares*

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

(iv) *Grant of options and acceptance of offers*

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.

(v) *Maximum number of Shares*

- (aa) Subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 150,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 150,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) Our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
- (i) representing in aggregate over 0.1% of our Shares in issue; and
  - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

(aa) Our Company may not grant any options after inside information has come to its knowledge until it has announced the information. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:

- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to announce the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).

(bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

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.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

**(xv) *Rights on cessation of employment for other reasons***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

**(xvi) *Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a Capitalisation Issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

**(xvii) *Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/ or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

**(xviii) *Rights on winding-up***

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the

aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or wilful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) becoming effective, the date on which such compromise or arrangement becomes effective.

**(xxi) *Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

**(xxii) *Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

**(xxiii) *Alteration to the Share Option Scheme***

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.



*(xxiv) Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(xxv) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the Listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Committee for listing of and permission to deal in 150,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Mr. Li and Cosmo Field ( the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (d) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Global Offering becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Global Offering becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Global Offering becomes unconditional; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in

relation to events occurred on or before the date on which the Global Offering becomes unconditional and not disclosed in this prospectus. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) full provision or allowance has been made for such taxation liability in the audited combined financial statements of any member of our Group for the period from 23 August 2010 to 31 December 2010 and the two years ended 31 December 2012; or
- (b) the taxation liability arises in the ordinary course of business of our Group after 31 December 2012 up to and including the date on which the Global Offering becomes unconditional; or
- (c) the over-provision or excessive reserve is applied to reduce the taxation liability up to 31 December 2012; or
- (d) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional.

## **2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

## **3. Sole Sponsor**

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

## **4. Preliminary expenses**

The preliminary expenses of our Company are estimated to be approximately US\$10,000 and are payable by our Company.

## **5. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

## 6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
China Everbright	A licensed corporation under the SFO permitted to engage in type 1 (dealing in securities) and type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ben & Partners	Legal advisers on Malaysian laws
Jingtian & Gongcheng	Legal advisers on PRC laws
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law
Geos Mining	Independent geological and mineral exploration consultant

## 7. Consents of experts

Each of China Everbright, Ben & Partners, Jingtian & Gongcheng, Ernst & Young, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, Conyers Dill & Pearman (Cayman) Limited and Geos Mining has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

## 8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

## 9. Taxation of holders of Shares

The sale, purchase and transfer of Shares registered on our register of members in Hong Kong will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration, or if higher, the fair value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong by persons that are tax resident in Hong Kong may also be subject to Hong Kong profits tax.

The Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of Shares. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after 11 February 2006.

Prospective holders of Shares are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in Shares. It is emphasized that none of us, the Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in Shares or exercise any rights attaching to them.

#### **10. No material adverse change**

Our Directors confirm that there has not been any material adverse change in the financial trading position or prospects of our Group since 31 December 2012 (being the date to which the latest audited combined financial statements of our Group were made up).

#### **11. Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
  - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of our Shares or shares of any of our subsidiaries; and
  - (iv) no share or loan capital of our Company or any of our subsidiaries is put under option or is agreed conditionally or unconditionally to be put under option.

- (b) Save as disclosed in this prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the sub-section headed “Consents of experts” in this appendix:
  - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) There is no arrangement under which future dividends are waived or agreed to be waived.
- (e) The branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s branch share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (f) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) We have no outstanding convertible debt securities.
- (i) Our Directors have been advised that, under Cayman Islands Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands Law.
- (j) The English text of this prospectus shall prevail over the Chinese text.

## 12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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## APPENDIX VII DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

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### DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus registered by the Registrar of Companies in Hong Kong were copies of the **WHITE** and **YELLOW** Application Forms, the written consents referred to in the paragraph entitled “Consents of experts” in Appendix VI to this prospectus, and copies of the material contracts referred to in the paragraph entitled “Summary of material contracts” in Appendix VI to this prospectus.

### DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of King & Wood Mallesons at 13/F Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) The Memorandum and Articles of Association;
- (b) The Companies Law;
- (c) The accountants’ report on our Group, Pacific Mining and Capture Advance prepared by Ernst & Young, the text of which are set out in Appendix I, Appendix IIA and Appendix IIB to this prospectus;
- (d) The audited combined financial statements of our Group for the period from 23 August 2010 to 31 December 2010, the year ended 31 December 2011 and the year ended 31 December 2012;
- (e) The report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix III to this prospectus;
- (f) The letter prepared by Conyers Dill & Pearman (Cayman) Limited summarising certain aspects of Cayman Islands company law as referred to in Appendix V to this prospectus;
- (g) The material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this prospectus;
- (h) The rules of Share Option Scheme;
- (i) The written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this prospectus;
- (j) The Malaysian legal opinion dated 20 June 2013 and issued by Ben & Partners, our legal advisers as to Malaysian laws;

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**APPENDIX VII      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES  
IN HONG KONG AND AVAILABLE FOR INSPECTION**

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- (k) The PRC legal opinion dated 20 June 2013 and issued by Jingtian & Gongcheng, our legal advisers as to PRC laws; and
  
- (l) The Independent Technical Report set out in Appendix IV to this prospectus.



**CAA Resources Limited**  
**優庫資源有限公司\***