CAA Resources Limited
優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code： 02112

2016
Annual Report

* For identification only

CONTENTS

FINANCIAL AND OPERATING HIGHLIGHTS

	Notes	**2016 USD'000**	2015 USD'000	% Change
Result				
Revenue		**1,240,674**	550,168	+125.5
Profit attributable to owners of the Company		**4,345**	617	+604.2
Financial Position				
Inventories		**–**	21,855	-100.0
Trade receivables		**91,918**	46,075	+99.5
Total interest-bearing bank and other borrowings		**33,738**	35,559	-5.1
Trade payables		**24,268**	15,303	+58.6
Total assets		**243,825**	170,623	+42.9
Total current assets		**196,939**	112,375	+75.3
Total current liabilities		**116,492**	59,396	+96.1

Key Financial Ratios		**2016**	2015	Difference
Performance				
Gross profit margin		**1.1%**	2.7%	-59.3%
Net profit margin	1	**0.35%**	0.11%	+218.2%
Return on assets	2	**1.78%**	0.36%	+394.4%
Operating				
Inventory turnover days	3	**3**	8	-5
Debtors' turnover days	4	**20**	27	-7
Creditors' turnover days	5	**6**	6	–
Liquidity and Gearing				
Current ratio	6	**1.7**	1.9	-0.2
Gearing ratio	7	**14.9%**	14.9%	–
Per share data				
Net assets per share (US cents)		**6.84**	6.26	
Basic earnings per share (US cents)		**0.29**	0.04	
Proposed final dividend (HK cents)		**–**	–	

FINANCIAL AND OPERATING HIGHLIGHTS

	2016	2015	Difference
Operating Statistics			
Number of crushing line owned and operated as at 31 December	**2**	2	–
Number of beneficiation line owned and operated as at 31 December	**5**	5	–
Actual ore mining volume (Kt) for the year ended 31 December	**176**	67	+109
Actual ore crushing volume (Mt) for the year ended 31 December	**0.04**	0.02	+0.02
Actual ore beneficiation volume (Mt) for the year ended 31 December	**0.04**	0.02	+0.02
Ore production volume (Kt) for the year ended 31 December	**42**	16	+26

Note:

1. Net profit margin is calculated by dividing profit for the year by revenue.

2. Return on assets represents the net profit attributable to the owners of the Company as percentage of the average of period-beginning balance and period-ending balance of total assets.

3. Inventory turnover days for the relevant year 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 year.

4. Debtors' turnover days for the relevant year are calculated by dividing the average of the opening and closing balances of trade receivables for the relevant year by revenue and then multiplied by the number of days in the relevant year.

5. Creditors' turnover days for the relevant year are calculated by dividing the average of the opening and closing balances of trade payables for the relevant year by cost of sales and then multiplied by the number of days in the relevant year.

6. Current ratio is the ratio of total currents assets to total current liabilities.

7. Gearing ratio is calculated based on the Group's net debt divided by total capital plus debt. Net debt is defined as interest-bearing bank loans and other loans and an amount due to the ultimate holding company, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of CAA Resources Limited, I am pleased to present the 2016 annual report to the Shareholders.

Looking back at the past year, the Group strived to expand its iron ore business and other commodity trading business and sales for the year exceeded USD1 billion for the first time. The Group's profit after tax also increased by approximately six times as much as compared to the previous year. It is relieving that we can keep our profit growing in the turbulent market environment of 2016. In 2016, the Platts 62% – Fe Iron Ore Index fluctuated upwards from USD39.25 per tonne at the beginning of the year to almost USD80.00 per tonne at the end of the year. Based on this, the worst time of international iron ore prices may have passed. By coincidence, on 15 December 2016, the tenure of the Group's Ibam Mine in Malaysia has been extended for two years with the approval of the governmental authorities in Malaysia. When cost efficiency can be achieved and the conditions are right, the Group will actively consider resuming the production capacity at Ibam Mine.

At present, the Group is focused on expanding and strengthening the main businesses of the mining and trading of iron ore and other related businesses. Looking at 2016 as a whole, iron ore arrivals by sea to China reached a record 1,017.79 Mt (2015: 972.28 Mt), representing an increase of 4.68%. This was also the first time that iron ore arrivals by sea to China had exceeded 1,000 Mt. The rise in iron ore arrivals in 2016 illustrates the fact that China still has a huge demand for quality iron ore. Dependence on iron ore imports continued to rise. It rose further to 87.3% in 2016 (2015: over 84%). We estimate that the situation will continue in 2017, which provides an opportunity for further development of the Group's main business.

Last year, in order to expand our iron ore and bulk commodity trading businesses, we strove to provide customers with professional and quality service. We also seized the opportunity to actively explore new customers of higher quality and enhanced our customer base successfully. We concentrated our resources on the development of iron ore and commodity trading and related businesses. In 2016, the quantity of iron ore the Group traded more than doubled to 18,631 thousand tonnes (2015: 8,338 thousand tonnes). With increasingly open and transparent market information, however, as the quantity traded increased, our gross profit margin was under pressure. In our 2017 business plan, we will strive to optimize our profit margin while keeping the current trading quantity. We believe that the worst time of international iron ore prices has passed while we remain cautious with the market competition which might put pressure on the profit margin. This may provide room to optimize our profit margin in the coming year. In addition, in order to respond to the "One Belt and One Road" strategy advocated by the state, the Group will make full use of the experience and resources of opening up new business in Southeast Asia and actively seek new opportunities for cooperation or development in countries along "One Belt and One Road". In the coming year, we will strive to expand.

Our management team and staff have always been hard-working and practical and have strictly complied with the Group's cost-controlling measures designed to increase effectiveness and optimize our capacity structure continuously. At the same time, we will formulate our future business development plan in accordance with market environment conditions and our own needs. We will actively look for appropriate investment plans and add value to our Shareholders. Lastly, on behalf of all members of the Board, I would like to take this opportunity to convey our sincere thanks to the management and our staff for their hard work and contribution. I would also like to thank our investors, bankers, and business partners for their unfailing trust and support all along.

Li Yang
Chairman and Chief Executive Officer

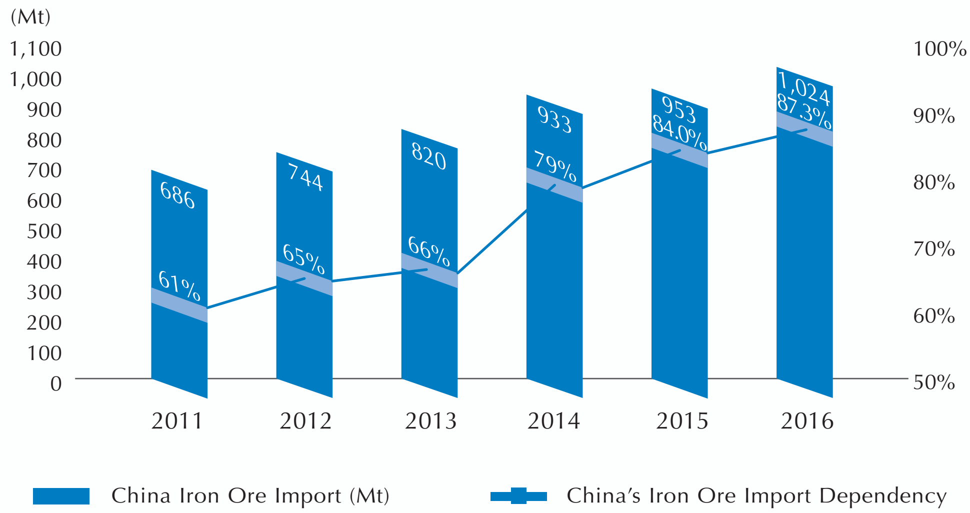
Hong Kong, 24 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Compared with 2015, the iron and steel industry was generally profitable in 2016. The reason is that the capital expenditure of enterprises in the iron and steel industry has shrunk significantly for a number of years consecutively so that there was almost no new production capacity in the iron and steel industry in recent years. Moreover, with the effects of the periodic depreciation of equipment, some of the production capacity of the previous investment and construction cycle will soon enter the phasing out and scrapping stage. As the policy of eliminating backward production capacity gets implemented, the degree of excess supply of production capacity in the iron and steel industry overall has been kept within reasonable scale. Profits in the iron and steel industry and the rising prices of iron and steel products drove up the prices of iron ore. By December 2016, the Platts 62% - Fe Iron Ore Index had risen above USD80 per tonne. The four largest mines in the world immediately released production capacity afterwards. The high ore prices also caused some of the overseas mines that had been laid aside before in higher-cost areas to reopen.

China Iron Ore Import



From the third quarter of 2015 to the first quarter of 2016, a lot of mines with a high production capacity in the Chinese mainland were closed due to losses. Because of the high costs of resuming production and high finance costs, some of the mines which were forced to close and stop production when iron ore prices were low will leave the market for good. This caused the iron ore production of the Chinese mainland to drop. According to the Result of a Forecast of the Demand for Iron and Steel in China 2017 released by the China Metallurgical Industry Planning and Research Institute, the production output of the raw ore of iron ore in China was 1,280 Mt for the whole of 2016, representing a decrease of 7.3% compared with the last year. Since 2012, the production output of raw iron ore in China has cumulatively decreased by 47%.

In 2016, although the total demand for iron ore in China dropped slightly, as the production output of iron ore in China also dropped, the total quantity of iron ore imports still increased. In 2016, iron ore arrivals by sea to China reached a record 1,017.79 Mt and the figure was 972.28 Mt in 2015, representing an increase of approximately 4.68%. Chinese market's dependence on iron ore imports rose from 84% in 2015 to 87.3% in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

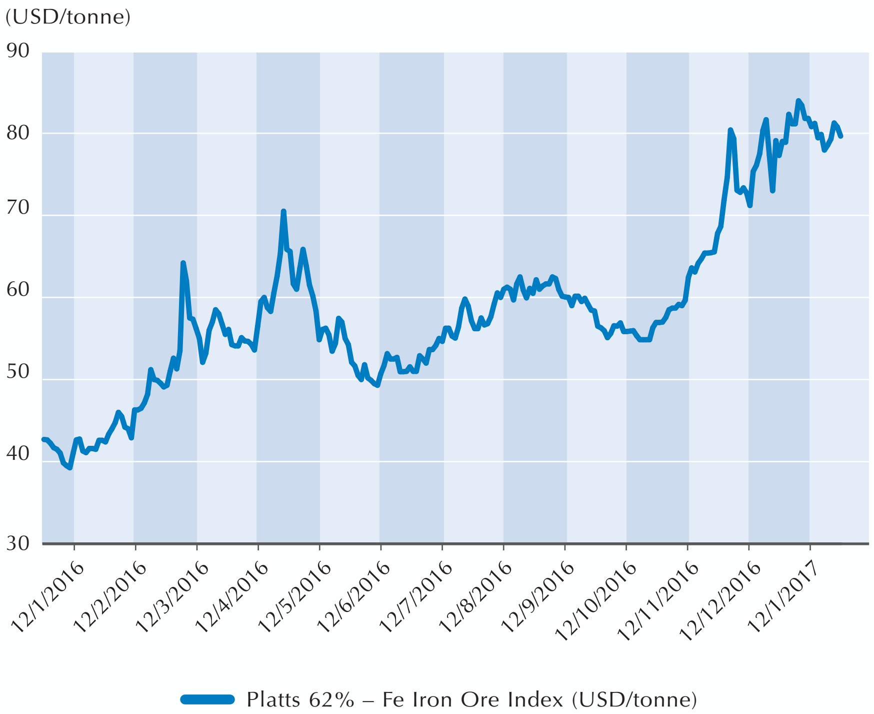
MARKET OUTLOOK

Downstream demand for iron and steel mainly comes from the construction industry. The direct and indirect construction industries account for approximately 70% of the total iron and steel consumption. Therefore, the changes in iron and steel consumption are rooted in the construction industry, and the construction industry is mainly about infrastructure and real estate.

According to the newest Central Economic Work Conference convened in China, the fundamental key of work of "seeking growth while achieving stability" in 2017 basically sets this year for a continuation of an active fiscal policy. Therefore, infrastructure investment leading from fiscal policies still remains high. In turn, the demand for steel will continue to remain steady at a high level.

Since the first quarter of 2017, the demand for iron ore has been in line with the property market, which has stayed relatively stable. Considering the existing housing inventory, uncompleted inventory, and current housing inventory, the overall potential inventory is approaching a historical low. Viewing the situation according to tier, after seeing a continuous improvement in sales and rises in housing prices in 2015/16, there has been a clear decline in inventory in cities of different tiers. As China adjusts the strength of adjusting and controlling its real estate policy, judging on the current state of real estate inventory clearance, there may be a need to restock in 2017. Therefore, stable support will be built for the demand for iron ore from the real estate industry of China.

Platts 62% – Fe Iron Ore Index



MANAGEMENT DISCUSSION AND ANALYSIS

In addition, China Customs figures also show that under the circumstances of a drop in the total demand for iron ore and a rise in its import and a large increase in port inventory, the living space of small and medium mines in China will continue to be compressed. It is therefore expected that China's dependence on iron ore imports will continue to be high in 2017. This is good news for the Group.

In summary, the demand for iron ore in China will still depend on the overall effect of the specific effects of the implementation of an active fiscal policy to stimulate demand by the government and the healthy and stable development of the real estate market.

It is alternatively thought that under the current overall macroeconomic market conditions in 2017, there is still strong pressure for accelerated downward movements of the economy. It is estimated that the demand for steel in China will be approximately 660 Mt in 2017, representing a decrease of approximately 1.5% compared with the last year. To estimate based on the current situation, there may be a small decline in the imports of iron ore into China in 2017 as compared with 2016. There are currently no plans for the four major mines to cut production, and there is no sign that the supply of iron ore will stop growing. It is expected that the overall supply of iron ore will increase in 2017. If iron ore prices can stay at USD70 to USD80 per tonne, there is a possibility that some mines in China and some non-mainstream foreign mines may resume production one after another. In 2017, it is expected that the economic growth of China and emerging markets will slow down. Together with an increase in iron ore supply, iron ore prices may slip again.

BUSINESS AND OPERATIONS REVIEW

Major operating results

Due to the fluctuation of iron ore price, the Company has decided not to fully resume the mine production activities in 2016 as these would expose the Company to the risks of downward price trend after the iron ores are duly through the mining and beneficiation process. As such, the Company has kept its focus on the mine trading activities. The majority of the profits are generated by the commercial trading of iron ore and other commodities.

Although an increased demand for iron ore import from customers in China persisted and thus a considerable growth in both sale volume and revenue were recorded during the year under review, intense competition of the global commodity market has resulted in decrease in gross profit margin of the Group comparing to 2015.

For the year ended 31 December 2016, the Group's sales revenue leaped up by 125.5% to approximately USD1,240.7 million (2015: approximately USD550.2 million). Sales volume of iron ore products surged 124.6% to approximately 18,727 Kt on dry basis (2015: approximately 8,338 Kt). Products sold had average iron ore grades of 62.5% (2015: 64.0%), with average selling price of iron ore products on dry basis at USD57.3 per tonne (2015: USD58.0 per tonne).

MANAGEMENT DISCUSSION AND ANALYSIS

As a result of our strategy to acquire more market share and market competition despite the increase in sales volume, the Group recorded decrease in gross profit by 8.1% in 2016 to USD13.7 million compared to USD14.9 million in 2015. The gross profit margin for 2016 dropped to 1.1% (2015: 2.7%). The Group's profit for the year increased by 616.7% from USD0.6 million in 2015 to USD4.3 million, mainly as a result of the decrease in other expenses with respect to foreign exchange loss and loss on disposal of machinery. Basic earnings per Share for the year 2016 was USD0.29 cents (2015: USD0.04 cents).

The sales analysis for the Group is as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2015	Change
Sales Revenue	**USD1,240,674,000**	USD550,168,000	+125.5%
– Iron Ore [note 1]	**USD1,073,941,000**	USD483,494,000	+122.1%
– Other Commodities [note 2]	**USD166,733,000**	USD66,674,000	+150.1%
Sales Volume (dry basis)			
– Iron Ore	**18,727,000 tonnes**	8,338,000 tonnes	+124.6%
– Other Commodities	**64,000 tonnes**	10,000 tonnes	+540.0%
Gross Profit	**USD13,711,000**	USD14,902,000	8.0%
Gross Profit Margin	**1.1%**	2.7%	-1.6 percentage points

Note 1: At present, the major products for the Group are iron ore products, including iron ore products generated from Ibam Mine and other trading activities.

Note 2: Nickel cathodes, copper cathodes, pig iron and polycarbonate during the year.

Project Ibam

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

MANAGEMENT DISCUSSION AND ANALYSIS

Reference is made to the section headed "Business – Overview – Project Ibam" in the prospectus ("Prospectus") of the Company dated 20 June 2013. Unless otherwise defined, capitalised terms used in this announcement have the same meanings as defined in the Prospectus. The tenure of the previous Mining Lease with respect to Ibam Mine which is to expire on 15 December 2016, has been extended for two years expiring on 15 December 2018 ("Extended Term"). Best endeavours have been made to procure the extension of the Mining Lease, and the Extended Term has been granted with the approval of the governmental authorities in Malaysia. For details, please refer to the announcement dated 15 December 2016.

In light of the market conditions, the Group did not purchase additional beneficiation lines or crushing lines during the year under review. As at 31 December 2016, the Group had a total of 5 beneficiation lines (2015: 5), and a total of 2 crushing lines (2015: 2), the annual mining volume of Project Ibam reached 175.9 Kt (2015: 67 Kt). Project Ibam accounted for about 0.1% of the Group's total revenue (2015: 0.1%).

The following table indicates the mining volume and production volume of iron ore products produced from Ibam Mine:

	For the year ended 31 December 2016	For the year ended 31 December 2015	Change
Mining Volume	**175.9 Kt**	67.0 Kt	+162.5%
Production Volume	**42.3 Kt**	16.0 Kt	+164.4%

Total mining volume and crushed of Ibam Mine for the year ended 31 December 2016 was 175,911 tonnes, as set out below:

Quarter ended	**Quarterly Ore mined and crushed (tonnes)**	**Average Fe Grade (%)**
31 March 2016	–	N.A.
30 June 2016	67,418	62.0
30 September 2016	108,493	62.0
31 December 2016	–	N.A.

Due to the fluctuation of the international iron ore price during 2016, the Group considered that it would be more economically cost-efficient to conduct trading of iron-ore mines instead of self-production of iron-ore mines, as the procurement costs of trading of iron-ores is relatively lower than the production plus freight costs for self-production of Project Ibam. As such, the Group made certain strategic adjustments to focus on the iron ore trading business since 2015. Primary activities in exploration, mining, crushing and beneficiation at the Ibam Mine have been reduced to minimal level since 2015. Instead, the Group switched its focus to the trading of iron ore products in the form of iron ore concentrates and iron ore fines and other commodities on indent basis. During the year under review, no exploration activities were carried out at the Ibam Mine.

MANAGEMENT DISCUSSION AND ANALYSIS

BREAKDOWN OF EXPENDITURES

The following is a breakdown disclosure in respect of the development and mining activities of Ibam Mine:

Expenditure incurred in respect of the mining activities during the year ended 31 December

	2016	2015
	USD'000	USD'000
Service fees to mining and processing contractors	**584**	251
Mining fee paid to mining lease holder	**425**	154
Others	**153**	37
Total:	**1,162**	442

The above expenditures have been included in the cost of sales and are charged to the statement of profit on loss and other comprehensive income for the corresponding years.

No capital expenditure in respect of the development activities was recorded for the year ended 31 December 2016 (2015: Nil)

The high volatility of international iron ore price in 2016 rendered the full resumption of mining operation of Ibam Mine highly risky, as the Group would otherwise have to bear the risks of the further adjustment in iron ore prices. As such, the Group kept its focus on trading of mines instead of sale of self-produced mines.

BUSINESS STRATEGIES

Iron ore business

In 2016, the price range of international iron ore fluctuated between USD39.25 and USD84.00 which was improving compared to 2015. However, since a more powerful rebound occurred after October 2016, this did not help much for the adjustment to self-production strategy. The highly fluctuating price of iron ore in the international market and the uncertainty of demand in iron ore in China posed the Group a big uncertainty as to whether to restore the scale of self-production of iron ore products. Having considered the overall global economic and political conditions, the Group was of the opinion that large scale of resumption of mine production would not be a wise move. Instead, the Group continued its mine production business strategy which was laid down from 2015. In this connection, except for the renewal of the mining lease of Ibam Mine for another two year on December 15, 2016, the Group continued to put on hold to the acquisition of other iron ore mines and that the Group did not acquire any mines during the year under review. Due to the price volatility of iron ore and keen market competition and the Group's active expansion of customer base, the Group adopted more competitive trading terms. Sales of the Group achieved considerable growth whereas gross profit margin fell further in 2016 due to price competition. Nevertheless, as stated in the sections of "Market Review" and "Market Outlook", in the foreseeable future, China's dependence on iron ore imports is expected to grow rather than shrink. Such positive effect would be offset by the increasing supply of major iron ore mines which

MANAGEMENT DISCUSSION AND ANALYSIS

makes the trend of international iron ore price uncertain. The Group will assess and operate Project Ibam based on the actual condition of the market. During the year, large scale of the mining site in Project Ibam remained suspended. Technological upgrade to production lines has also been put on hold. The Group will continue to pay attention to market dynamics and adjust deployment at Project Ibam in a timely manner.

Disclosure pursuant to Rule 13.21 of the Listing Rules

On 20 September 2016, the Company as issuer, entered into a subscription agreement with an independent third party institution (the "Subscriber") pursuant to which the Company agrees to issue and the Subscriber agrees to subscribe for the senior notes ("Notes") in the principal amount of HK$164,865,750 with a final redemption date falling 18 months after the date of issue. Pursuant to the terms of the Notes, it will be an event of default if, among others, (i) Mr. Li Yang ("Mr. Li", the chairman and Controlling Shareholder of the Company) fails to remain the Controlling Shareholder (as defined in the Listing Rules) of the Company; or (ii) Mr. Li ceases to be the chairman of the Company. Upon and at any time after the occurrence of an event of default, the Subscriber may give notice to the Company that one or more of the Notes shall become immediately due and repayable with all accrued interests. As at the date of this annual report, the Company has been paying interest for the Notes punctually and expects to settle the principal upon expiry of the 18-month term. For further details, please refer to the announcement dated 20 September 2016. Mr. Li Yang and his father have provided guarantee with respect to the Notes for which the Group is not required to provide any consideration. The aforesaid guarantees are fully exempted connected transactions.

Other investments and business development

Apart from the existing business at Ibam Mine and commodities trading business, the Company has been seeking opportunities to further diversify the scope of business. During the year, the Company was in negotiation with Lao International Development Co., Ltd. (老撾國際發展有限公司) on the project with respect to its large commercial complex of the world trade center which was under construction. On 15 September 2016, the Group agreed to grant an interest-bearing loan for a period from 20 June 2016 to 19 December 2016 with a view to participating in future allotment of shares by Lao International Development Co., Ltd. at an appropriate time. For further details, please refer to the announcements dated 13 January 2016 and 15 September 2016. The interest bearing loan has been repaid in full as at 31 December 2016 and that having considered all relevant factors, the Group decided not to proceed further with the project.

Furthermore, the Company also attempted to acquire the equity interests of SPR Resources Pte., Ltd., a commodity trader and a company established in Singapore with limited liability, from its shareholders. MOU in relation to the potential acquisition of the equity rights was signed on 30 March 2016. On 26 September 2016, the Company terminated the negotiation as the parties failed to reach mutual agreements as to the terms and conditions. For further details, please refer to the announcements dated 15 March 2016, 17 March 2016, 30 March 2016 and 30 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will try different methods to diversify the business portfolio. Strategies included but not limited to conduct suitable mergers and acquisitions of other businesses so that the scope of businesses becomes more diversified. This will bring opportunities to the sustainable development of the Group in the long term.

PRINCIPAL RISKS AND UNCERTAINTIES

During the year, the Company appointed an external firm of accountants to review and recommend the improvement of major risk areas of the Group. Certain risk factors may affect the results and business operations of the Group are identified and summarised, together with the Group's actions and opinion towards such factors, are listed as below.

Risk of fluctuations in international commodity prices

The company's iron ore production planning is highly driven by the international iron ore price which determines if the mining production is commercially feasible. The Group should reduce the iron ore production until and unless the selling price could cover the fixed costs of production and other costs borne by the Group such as inland transportation and storage. The fluctuation of international iron ore price may also affect the customers' demand on import iron ore, thus affecting the Group's sales. However, fluctuations in international commodity prices has lesser effect on the Group's trading activities. As such, the Group mitigate such risk by focusing more on the business of iron ore and other commodity trading.

Reliance on limited number of customers

The Group derived a significant portion of our revenue from a limited number of customers. For the year ended 31 December 2016, the five largest customers of the Group contributed 86.3% of total sales of the Group. The iron ore mining and trading business may be affected by volatility of international iron ore and commodity price and change in global economic environment. Change on demand or financial position of major customers may have adverse effect on Group's sales. The Group has successfully enlarged the customer base and the reliance on top five customers has been reduced from 92.0% in 2015 to 86.3% this year. The Group will continue to expand the customer base to mitigate the risk.

Insufficient banking facilities granted

The company uses documentary letter of credit of payment for purchase. Purchase amount in iron ore and other commodity trading are enormous. Insufficient banking facilities granted by commercial banks would limit the growth of sales. Drastic rise of iron ore or commodity price may even force the Group to lower the purchase quantity and increase the company's business risk. The Group will try to maintain a good relationship with the current bankers, and to seek for new source of banking facilities.

Staff risk of fraud or fraud

In the day-to-day business operations, employees may be involved in inappropriate or unethical behavior to cause the company to suffer losses. Including fraud, theft of company property, receipt of rebates, unauthorized access to corporate confidential information and so on. The Group is of the opinion that the current headcount of the Group is small enough for the management to exercise close supervision on the staff, thereby reducing the risk of staff mistakes or improper behavior but will closely monitor the situation and take appropriate measures as and when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue reached approximately USD1,240.7 million, representing 125.5% higher than the amount of USD550.2 million recorded in the year of 2015. The increase in revenue was mainly brought by higher sales volume of the Group's iron ore products which mainly benefits from the Group's strategy to actively develop new business and clienteles and was also attributable to greater reliance of iron ore import in China. The sales volume of iron ore on dry basis for the year under review was approximately 18,727 Kt, representing 124.6% higher than 8,338 Kt in 2015. The average selling price (dry basis) of the iron ore products for the year was USD57.3 per tonne (2015: USD58.0). The reasons for the decrease were the market competition as well as our strategy to acquire more market share.

In addition to sales of iron ore products which was approximately USD1,073.9 million for the year (2015: USD483.5 million), in order to meet customers' needs, the Group also conducted trading of pig iron, poly carbonate, nickel and copper cathodes during the year under review, generating a sales revenue of approximately USD166.7 million (2015: USD66.7 million).

Cost of Sales

During the year, the Group's cost of sales reached approximately USD1,227.0 million, about 129.2% higher than the approximately USD535.3 million recorded for the year 2015. The cost of sales primarily comprises (1) as for ore production cost, the service fee to mining contractor, mining fee paid to the registered holder of mining lease of the Ibam Mine, service fee to processing contractor and purchase costs of crude iron ore and (2) as for trading of iron ore, the acquisition costs of iron ore and other commodities for trading purpose and their freight costs to destination ports. During the year, the average unit cost of iron ore was USD56.8 per dry tonne basis, 0.7% higher than that of last year at USD56.4 per dry tonne basis. The reasons for the increase in unit cost of iron ore were in line with trend of price of international iron ore during the year.

Gross Profit and Margin

During the year, the Group's gross profit reached approximately USD13.7 million, about 8.1% lower than the approximately USD14.9 million recorded in year of 2015. The gross profit margin for the year ended 31 December 2016 was 1.1%, lower than that of last year at 2.7%. The decrease was mainly due to the adoption of flexible pricing strategy to acquire more market share and price competition.

Selling and Distribution Expenses

During the year, the Group's selling and distribution expenses reached approximately USD0.2 million, about 100.0% higher than the approximately USD0.1 million recorded for 2015. The increase was mainly due to increase in marketing fee.

Administrative Expenses

During the year, the Group's administrative expenses reached approximately USD5.4 million, about 5.9% higher than the approximately USD5.1 million in the year of 2015. The increase was mainly due to the increase in staff costs, benefits and disbursements recorded during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Expenses

During the year, the Group's other expenses reached approximately USD3.5 million, about 62.8% lower than the approximately USD9.4 million in the year of 2015. The decrease was mainly due to the decrease in loss on disposal of property, plant and equipment for the amount of USD0.1 million (2015: USD3.3 million), and the decrease in foreign exchange loss to USD0.1 million from USD5.5 million recorded in 2015.

Finance Costs

During the year, the Group's finance costs reached approximately USD2.8 million, about 600.0% higher than the approximately USD0.4 million in the year of 2015. The increase was mainly attributable to the increase in bank borrowing and interest rate, the increase in notional interest on loan from the ultimate holding company, and interest on senior note issued. The increase in finance cost is in line with the increase of iron ore and commodities trading activities which requires greater level of financing.

Income Tax Expenses

During the year, the Group's income tax expense reached approximately USD1.2 million, about 42.9% lower than the approximately USD2.1 million in the year of 2015. The effective tax rate was 22.2% in comparing with 77.4% of last year. The decrease in effective tax rate was mainly the tax loss realized by a subsidiary located in Malaysia decreased from USD11.1 million in 2015 to USD0.9 million in 2016. However, deferred tax asset was not provided due to the uncertainty in relation to the subsidiary's ability to generate sufficient taxable income to utilize such tax losses in future years.

Profit for the Year

As a result of decrease in foreign exchange loss and loss on disposal of machinery, profit for the year ended 31 December 2016 increased by 616.7%, from approximately USD0.6 million for the year ended 31 December 2015 to approximately USD4.3 million for the year ended 31 December 2016.

The net profit margin increased from 0.1% for the year ended 31 December 2015 to 0.4% for the year ended 31 December 2016.

Total Comprehensive Income Attributable to Owners of the Company

Total comprehensive income attributable to owners of the Company increased from approximately USD2.3 million loss for the year ended 31 December 2015 to approximately USD8.6 million gain for the year ended 31 December 2016. The increase was greater than the percentage increase in profit for the year, which was due to the increase in fair value of available-for-sale investment for the amount of USD4.4 million recorded during the year (2015: nil).

Final Dividend

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

SHAREHOLDER LOAN FROM CONTROLLING SHAREHOLDER TO COMPANY

The Company has been notified that 711,000,000 shares ("Shares") of the Company and 41,000,000 Shares which were previously charged by Cosmo Field (as defined below) in favour of Cheer Hope Holdings Limited, have been released on 23 September 2016 and 26 September 2016 respectively. The Company has also been notified that, Cosmo Field has charged 711,000,000 Shares and 41,000,000 Shares (collectively "Charged Shares") in favour of an independent third party institution on 23 September 2016 and 27 September 2016 respectively. On 22 December 2016, Cosmo Field has charged the Charged Shares (being 752,000,000 shares of the Company) in favour of an independent third party institution as a second priority lender. All the proceeds from the charge of the shares have been utilized by Cosmo Field to provide interest-free and security-free shareholder loan to the Company. As at 31 December 2016, the Company was indebted to Cosmo Field in a total amount of USD50,000,000 as interest-free and security-free shareholder loan which is a fully exempted connected transaction under the Listing Rules. In January 2017, Cosmo Field provided additional USD10,000,000 shareholder loan to the Company.

LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2016 was approximately USD102.6 million (31 December 2015: USD94.0 million). The Group generally finances its operation with internally generated cash flow, interest-bearing bank and other borrowings, and interest-free and security-free shareholder loans from our Controlling Shareholder as set out in section "shareholder loan from controlling shareholder to company". Primary uses of funds during the year included settlement of operating expenses. As at 31 December 2016, current assets of approximately USD196.9 million primarily comprised USD91.9 million of trade receivables, USD19.1 million of prepayments, deposits and other receivables, and USD86.0 million of cash and cash equivalents (including pledged bank deposits). Current liabilities of approximately USD116.5 million mainly comprised USD24.3 million of trade payables, USD52.7 million of other payables and accruals, USD33.7 million of interest-bearing bank and other borrowings, and USD5.8 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.7 as at 31 December 2016 (2015: 1.9). The liquidity position indicated that the Group has sufficient financial resources to finance its business and to meet its working capital requirements.

As at 31 December 2016, the Group had certain interest-bearing bank and other borrowings of USD33.7 million in total (2015: USD35.6 million). The bank and other borrowings were mainly used to finance the issuance of letter of credit.

On 20 September 2016, the Company issued the 12% senior notes in the principal amount of HKD164,865,750 (approximately to USD21.3 million as at the issue date) with a final redemption date falling 18 months after the date of issue. For details, please refer to announcement of the Company dated 20 September 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash and Cash Equivalents

Cash and cash equivalents of the Group in 2016 increased by approximately USD47.3 million compared to 2015.

Detailed cash flow analysis is as follows:

	For the year ended 31 December	
	2016	2015
	USD'000	USD'000
Cash and cash equivalents in the consolidated statement of cash flow at beginning of year	**27,664**	10,430
Net cash used in operating activities	**(8,944)**	(4,767)
Net cash flow from/(used in) in investing activities	**4,516**	(3,668)
Net cash flows from financing activities	**51,312**	25,820
Net increase in cash and cash equivalents	**46,884**	17,385
Effect of foreign exchange rate changes, net	**374**	(151)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year	**74,922**	27,664

Net Cash Flows used in Operating Activities

The Group's net cash flows used in operating activities changed from approximately USD4.8 million outflow for the year ended 31 December 2015 to approximately outflow of USD8.9 million for the year ended 31 December 2016. It primarily included the profit before tax of USD5.6 million and the outflow of cash was mainly contributed by the increase in trade receivables of approximately USD45.8 million, increase in trade payables of approximately USD9.0 million and decrease in inventory of approximately USD21.9 million.

Net Cash Flows from/(used in) Investing Activities

The Group's net cash flows from investing activities increased by 221.6%, from approximately outflow of USD3.7 million for the year ended 31 December 2015 to approximately inflow of USD4.5 million for the year ended 31 December 2016. It primarily included collection of loan advanced to third parties for approximately USD16.5 million; proceeds from disposal of certain property, plant and equipment for approximately USD5.9 million and interest received for approximately USD3.0 million. Investing cash outflow included loan advanced to third parties for USD15 million and increase in pledged bank deposit for approximately USD5.7 million.

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities increased by 98.8%, from approximately USD25.8 million for the year ended 31 December 2015 to approximately USD51.3 million for the year ended 31 December 2016. The increase is primarily due to cash inflows from financing activities mainly include the proceeds from an interest-free and unsecured borrowings from Cosmo Field (the Company's Controlling Shareholder) of approximately USD50.0 million which increased to USD60.0 million in January 2017, and net proceeds from issuance of senior note of approximately USD20.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Available-for-sale investments

The Group's available-for-sale investments increased by 32.8% from approximately USD18.0 million as at 31 December 2015 to approximately USD23.9 million as at 31 December 2016. The increase is due to the fair value adjustment of investment in Shenzhen Gongxinying Financial Information Service Co., Ltd. ("Gongxinying") (深圳市共信贏金融信息服務有限公司) for the amount of approximately USD5.9 million from USD5.0 million as at 31 December 2015 to approximately USD10.9 million as at 31 December 2016. At as 31 December 2016, the Group's available-for-sale investments also included an unlisted equity investments in Fortune Union Financial Holdings (Asia Pacific) Limited ("Fortune Union") for the amount of USD13.0 million in addition to investment in Gongxinying (2015: USD13 million).

Inventories

The Group's inventories decreased by 100.0%, from approximately USD21.9 million as at 31 December 2015 to zero as at 31 December 2016. It is primarily because high proportion of sales was conducted by trading business.

Trade Receivables

The Group's trade receivables increased by 99.3%, from approximately USD46.1 million as at 31 December 2015 to approximately USD91.9 million as at 31 December 2016. Trade receivable turnover days were approximately 20 days (2015: 27 days). The shorter trade receivable turnover days was recorded. The current credit period granted by irrevocable letter of credit and teletransfer are 30 days and 5 to 120 days respectively.

Major customers were granted credit on open account basis or allowed to settle by documentary letter of credit. However payment in advance may be required for new customers. Overdue balances are reviewed regularly by senior management, if any. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables which are accounted for as current portion increased by 66.1% from approximately USD11.5 million as at 31 December 2015 to approximately USD19.1 million as at 31 December 2016, primarily due to the USD8.5 million from Shenzhen Wanyuntong Real Estate Development Company Limited was classified as current asset since it is repayable with one year as at 31 December 2016. For details, please refer to the announcement of the Company dated 24 December 2015.

Trade Payables

The Group's trade payables increased by 58.8% from approximately USD15.3 million as at 31 December 2015 to approximately USD24.3 million as at 31 December 2016. Percentage increase in trade debtors is more than that of trade payable which was mainly due to the early settlement to certain vendors before the credit term mature.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Current Assets Position

The Group's net current assets position was improved during the year, from net current assets of approximately USD53.0 million as at 31 December 2015 to net current assets of approximately USD80.4 million as at 31 December 2016, primarily attributable to significant increase in trade receivable in line with the increase in sales and increase in cash and cash equivalents which is partly offset by the increase of loans due to the ultimate holding for the amount of USD50 million during the year.

Borrowings

As at 31 December 2016, the Group's borrowings mainly included: (i) secured bank loans of approximately USD30.1 million with an annual interest rate ranging from 3.02% to 3.18%; (ii) unsecured bank loans of approximately USD3.5 million with an annual interest rate of 1.70%; (iii) hire purchase arrangements for motor vehicles and equipment of USD0.1 million with an annual interest rate ranging from 2.36% to 2.54%; and (iv) senior notes amounted USD20.2 million issued on 20 September 2016, the details of which can be referred to the announcements dated 20 September 2016. As of 31 December 2016, the Company also owed shareholder loans of USD50.0 million from Cosmo Field (the Controlling Shareholder) which were interest-free and unsecured and increased to USD60.0 million in January 2017, the details of which can be referred to section "shareholder loan from controlling shareholder to company" of this annual report.

Contingent Liabilities

As at 31 December 2016, the Group did not have any material contingent liabilities.

Foreign Currency Risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the unit's functional currency.

The Group's businesses are located in Malaysia and its operating transactions are conducted in RM. Most of its assets and liabilities are denominated in RM, except for certain payables to professional parties and administrative expenses in the Hong Kong office that are denominated in HKD, and the bank loans obtained that are denominated in USD. The Group has not entered into any hedging transaction to manage the potential fluctuation in foreign 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 before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RM rate	**Increase/ (decrease) in profit before tax USD'000**
31 December 2016		
If the US dollar weakens against RM	5%	954
If the US dollar strengthens against RM	(5%)	(954)
31 December 2015		
If the US dollar weakens against RM	5%	1,353
If the US dollar strengthens against RM	(5%)	(1,353)

During the year ended 31 December 2016 exchange loss arising from translation of foreign operations between RM and USD was approximately USD0.2 million (2015: USD2.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

Motor vehicles and machinery with an aggregate net carrying amount approximate to USD6,000 (2015: USD102,000) were held under hire purchase arrangements entered into by the Group at 31 December 2016. As of 31 December 2016, bank deposits of USD11,044,000 (2015: USD5,302,000) were pledged to secure bank loans and for the opening of documentary letter of credit granted to the Group and trade receivables of USD30,149,000 (2015: USD17,703,000) were pledged for the banks loans for documentary letter of credit.

Contractual Obligations

As at 31 December 2016, the Group had no contractual obligations (31 December 2015: nil).

Capital Expenditure

During the year, the Group's total capital expenditure was USD155,000 (31 December 2015: nil) mainly for acquisition of a motor vehicle.

Gearing Ratio

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt is defined as interest-bearing bank and other borrowings and an amount due to the ultimate holding company, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company.

The Group's gearing ratio as at 31 December 2016 was 14.9% (2015: 14.9%).

RESOURCE AND RESERVES OF IBAM MINE UNDER THE JORC CODE AS AT 31 DECEMBER 2016

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2016 (Note):

Classification	**Quantity (Mt)**	**Fe Grade (%)**
Measured	108	46.7
Indicated	–	–
Inferred	42	46.4
Sub-total	150	46.6

Ore reserves of the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2016:

Classification	**Quantity (Mt)**	**Fe Grade (%)**
Proved	–	–
Probable	102	44.7

Note: The figures were calculated by the resource and reserves as at 31 December 2013 under the JORC Code (confirmed by Geos Mining which is a specialist independent geological and mineral exploration consultant) less the accumulated mining volume since then.

MANAGEMENT DISCUSSION AND ANALYSIS

All assumptions and technical parameters set out in the technical report of Geos Mining (the "Independent Technical Adviser") which is prepared under JORC Code as shown in the Prospectus of the Company dated 20 June 2013 with respect to the Ibam Mine have not been materially changed and continued to apply to the above disclosed data.

EMPLOYEES AND EMOLUMENT POLICIES

The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. As at 31 December 2016, the Group had 51 employees (2015: 43). For the year ended 31 December 2016, total staff cost including Directors' emolument amounted to approximately USD1.6 million (2015: USD1.3 million).

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

ACQUISITIONS AND INVESTMENTS IN PROGRESS

For details of significant acquisitions and investments of the Group during 2016, please refer to the section "Other Investment and Business Development".

CORPORATE GOVERNANCE REPORT

The Board of Directors is committed to maintaining appropriate corporate governance practices to enhance the accountability and transparency of the Company in order to protect Shareholders' interests and to ensure that the Company complies with the latest statutory requirements and professional standards.

The Company has complied with the code provisions set out in CG Code for the year ended 31 December 2016 except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and Chief Executive Officer of the Company which is further discussed in the section of "Chairman and Chief Executive Officer" in this corporate governance report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct for dealing in securities by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the Chief Executive Officer, and through him, to the senior management the authority and responsibility for the day-to-day management and operation of the Group.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

DELEGATION OF MANAGEMENT FUNCTIONS

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

CORPORATE GOVERNANCE REPORT

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

As at 31 December 2016 and up to the date of this corporate governance report, the Board comprised four executive Directors and three independent non-executive Directors.

Executive Directors
Mr. Li Yang *(Chairman and Chief Executive Officer)*
Ms. Li Xiaolan
Mr. Wang Er
Ms. Xu Mijia

Independent Non-Executive Directors
Mr. Kong Chi Mo
Dr. Li Zhongquan
Dr. Wang Ling

The biographical details of the Directors and the relationship among the members of the Board are set out in the section of "Profiles of Directors and Senior Management" on pages 40 to 44 of this annual report. Ms. Li Xiaolan is the younger sister of Mr. Li Yang's father.

In compliance with Rules 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, who have represented at least one-third of the Board. Mr. Kong Chi Mo, being one of the independent non-executive Directors possesses the appropriate professional qualifications or accounting or related financial management expertise. The Board considers that all the independent non-executive Directors have appropriate and sufficient business, legal and/or finance experience and qualifications to carry out their duties so as to protect the interests of the Shareholders of the Company.

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence as required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent.

Each of the independent non-executive Directors has taken up the role as an independent non-executive Director for an initial term of 3 years and is subject to retirement and re-election in accordance with the Articles of Association.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuing professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with Model Code, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

TRAINING OF THE DIRECTORS

During the year under review, all the Directors have taken continuous professional development trainings in order to refresh their knowledge and skills and have provided their records to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under CG 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 Yang. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board of Directors and the management.

The Board members have considerable experience and qualities which they bring to the Company and the Board, of which Mr. Li Yang can take advantage in fulfilling his duties, and the management is not impaired. Mr. Li Yang has strong client relationships and has the full backing from the Board of Directors and senior management of the Company in fulfilling his obligations as 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 monopolize the voting result.

CHANGE OF DIRECTOR DURING 2016

During 2016, Mr. Dong Jie resigned as an executive director of the Company due to personal health issue with effect from 12 September 2016 and Ms. Xu Mijia was appointed as executive director on the same date. For details, please refer to the announcement dated 12 September 2016.

ROTATION OF DIRECTORS

In accordance with articles of the Company's articles of association, Mr. Li Yang, Mr. Wang Er, Dr. Wang Ling and Ms. Xu Mijia will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors and independent non-executive directors are appointed for periods of one to three years

CORPORATE GOVERNANCE REPORT

MEETINGS OF THE BOARD

Notices of regular Board meetings are given to all the Directors in accordance with the Articles of Association. Schedules and agenda of each meeting are made available to the Directors in advance. All the Directors are given an opportunity to include matters in the agenda for regular Board meetings. For other Board and committee meetings, notices are given within reasonable times in advance. Minutes of all Board meetings and committee meetings are kept by the company secretary and open for the Directors' inspection. Draft and final version of minutes are circulated to the Directors for their comment and record within a reasonable time after the Board meeting is held.

The attendances at the Board, respective Board committees meetings and the AGM held either in person or through other electronic means of communication for the year ended 31 December 2016 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Executive Directors					
Mr. Li Yang	5/5	N.A.	2/2	N.A.	1/1
Ms. Li Xiaolan	5/5	N.A.	N.A.	2/2	1/1
Mr. Wang Er	5/5	N.A.	N.A.	N.A.	1/1
Mr. Dong Jie	5/5	N.A.	N.A.	N.A.	1/1
Independent non-executive Directors					
Mr. Kong Chi Mo	5/5	2/2	N.A.	N.A.	1/1
Dr. Li Zhongquan	5/5	2/2	2/2	2/2	1/1
Dr. Wang Ling	5/5	2/2	2/2	2/2	1/1

Note: number of meeting attended is shown as nominator and total number of meetings held is shown as denominator.

In addition to the disclosure made above, the Board held a meeting on 24 March 2017 to approve the annual results and other relevant matters of the Group. All Directors were present in person or through other electronic means of communication in the meeting.

COMMITTEES OF THE BOARD

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee to oversee particular aspects of the affairs of the Company. Each of these committees is set up with specific written terms of reference in compliance with the CG Code. Each committee is delegated with authorities and duties within its terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 138.

CORPORATE GOVERNANCE REPORT

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

Audit Committee

The Company established an audit committee 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 auditor and assessing their independence and qualifications, and ensuring the effective communication between our external auditor. The Audit Committee comprises three Independent non-executive Directors, namely, Mr. Kong Chi Mo (chairman of the Audit Committee), Dr. Wang Ling and Dr. Li Zhongquan.

The Audit Committee are to assist the Board by providing an independent view of the effectiveness of the financial process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities assigned by the Board. The Audit Committee held two meetings during the year and up to the date of this report to review interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor.

The Audit Committee also met the external auditor twice without the presence of the executive Directors during the year and up to the date of this report.

The terms of reference for the Audit Committee have been revised in accordance with the Listing Rules and published on the Stock Exchange website on 31 December 2015.

The Company's and the Group's audited financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee, who was of the opinion that these statements complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosures had been made. For the year ended 31 December 2016, two committee meetings were held and the attendance records of individual members are set out below:

Number of meetings	**Name of Directors attended/held**
Mr. Kong Chi Mo	2/2
Dr. Wang Ling	2/2
Dr. Li Zhongquan	2/2

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

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

For the year ended 31 December 2016, two committee meeting was held and the attendance records of individual members are set out below:

Number of meetings	**Name of Directors attended/held**
Dr. Wang Ling	2/2
Dr. Li Zhongquan	2/2
Ms. Li Xiaolan	2/2

During the year under review, there is no new Director appointed. It is the Company's policy that the remuneration package of each Director and senior management shall be determined by reference to, inter alia, their duties, responsibilities, experience and qualifications.

Details of remuneration payable to the Directors and senior management by band are set out in note 8 to the financial statements of this annual report.

Nomination Committee

The Company established a nomination committee pursuant to a resolution of our Directors passed at a Board meeting on 12 April 2013 with effect upon the Listing. The Nomination Committee comprises one executive Director, namely, Mr. Li Yang (chairman of the Nomination Committee), and two independent non-executive Directors, namely Dr. Wang Ling and Dr. Li Zhongquan. The primary duties of the Nomination Committee include identifying suitable candidates for the Directors and making recommendations to the Board, assessing the structure and composition of the Board, preparing, making recommendations to and supervising the execution of the nominating policy of the Company.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2016, two committee meeting was held and the attendance records of individual members are set out below:

Number of meetings	Name of Directors attended/held
Mr. Li Yang	2/2
Dr. Wang Ling	2/2
Dr. Li Zhongquan	2/2

The Company has received from each of the independent non-executive Directors an annual confirmation of their independence required under Rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent. Besides, the Nomination Committee reviewed the appointment of each Director prior to that Director seeking re-election at the forthcoming AGM and was pleased to recommend the re-election of three eligible Directors to the Board.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The Group appointed Ernst & Young as the Group's auditor. The acknowledgement of its responsibilities on the financial statements are set out in the section of "Independent Auditor's Report" on pages 56 to 61 of this annual report.

For the year ended 31 December 2016, the fee paid and payable to Ernst & Young in respect of audit and audited related services amounted to approximately USD0.4 million.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Company and the Group and of the results and cash flows for the Group for the year ended 31 December 2016.

In preparing the consolidated financial statements, supported by the finance department of the Group, the Directors have:

(i) reviewed the adoption of all applicable IFRSs;

(ii) selected suitable accounting policies and applied them on a consistent basis;

(iii) made judgments and estimates that are prudent, fair and reasonable; and

(iv) prepared the consolidated financial statements on a going concern basis.

In preparing the consolidated financial statements for the year ended 31 December 2016, the Board has received sufficient explanation and information from the management, which enabled the Board to make an informed assessment of the consolidated financial statements and other information before approval. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognizes its responsibility for maintaining an adequate and sound enterprise risk management and internal control system and through the Audit Committee and, if necessary, an external firm of qualified accountants to provide internal control services, conducts reviews on the effectiveness of these systems at least annually, covering material controls, including financial, operational, compliance and strategic risk control functions. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year under review, a Malaysian legal adviser was appointed to provide advice to the Board and the designated compliance officers on an ongoing basis in respect of all relevant Malaysian laws and regulations, including changes to such laws and regulations, which may affect the Group's operations in Malaysia.

During the year under review, the Board, through the Audit Committee, conducted review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues identified to the Board.

During the year under review, the Company also appointed, Baker Tilly Hong Kong Risk Assurance Limited ("Baker Tilly") an external firm of qualified accountants to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by Baker Tilly to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of Baker Tilly as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems effective and adequate

Our Enterprise Risk Management Framework

The Group established its enterprise risk management framework in 2016. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and allocated treatments. Our risk management framework follows the COSO Enterprise Risk Management — Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversights risk management and internal audit functions.

CORPORATE GOVERNANCE REPORT

Principal Risks

In the year of 2016, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	**Reliance on limited number of customers** The Group derived a significant portion of its revenue from a limited number of customers. Changes in demand or financial position of the major customers may have adverse effect on Group's turnover. **The Company's response to the risks identified through risk monitoring measures in the following way:–** The Group has successfully enlarged the customer base and the reliance on top five customers has been reduced from 92.0% in 2015 to 86.3% this year. The Group will continue to expand the customer base to mitigate the risk.
Operational Risks	**Staff risk of fraud or fraud** In the day-to-day business operations, employees may be involved in inappropriate or unethical behavior to cause the company to suffer losses. Including fraud, theft of company property, receipt of rebates, unauthorized access to corporate confidential information and so on. **The Company's response to the risks identified through risk monitoring measures in the following way:–** The Group is of the opinion that the current headcount of the Group is small enough for the management to exercise close supervision to the staff, thereby reducing the risk of staff mistakes or improper behavior but will closely monitor the situation and take appropriate measures as and when necessary.
Financial Risks	**Risk of fluctuations in international commodity prices** The iron ore mining and trading businesses of the Group are influenced by the volatility of international iron ore and commodity prices as well as changes in global economic environment. The Group's iron ore production planning is highly driven by the international iron ore prices which are critical to the mining production of the Group. **The Company's response to the risk identified through risk monitoring measures in the following way:–** The Group reduced the volume of its iron ore production until and unless the sales prices can more than cover the fixed costs of production and other costs borne by the Group, such as inland transportation and storage costs. As such, the Group mitigates such risk by emphasizing more on the businesses of iron ore and other commodity trading.

CORPORATE GOVERNANCE REPORT

Risk Areas	Principal Risks
Financial Risks (continued)	**Insufficient banking facilities granted** The Group uses documentary letter of credit of settlements of purchase transaction. As purchase amounts of iron ore and other commodity trading are enormous. Insufficient banking facilities granted by commercial banks would limit the growth of Group's sales. Drastic rise of iron ore or commodity price may even force the Group to lower the purchase quantity and increase the Group's business risk. **The Company's response to risk identified through risk monitoring measures in the following way:–** The Group maintains a good relationship with its current bankers, and seeks for new source of banking facilities, as and when necessary.
Compliance Risks	**Risks arising from the Company's failure to respond to the changes in the Listing Rules** The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited in 2013 and is therefore subject to the requirement of the Listing Rules. The Listing Rules are changed from time to time to cope with changes in the market environment and accordingly, charges in regulatory requirement. Failure to respond to the changing requirements of the Listing Rules in a timely manner may result in the Company failing to comply with the Listing Rules with the resulting compliance risks. **The Company's response to risks identified through risk monitoring measures in the following way:–** The chief financial officer and the financial controller of the Company attend regular training on the relevant laws and regulations to keep updated of the regulatory changes in order to ensure that compliance requirements are met by the Group. In addition, the Group will seek for assistance from external auditor and risk advisory consultants to conduct regular review and assessment in order to monitor such risk.

Our Risk Control Mechanism

The Group adopts a "three-layer" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by Baker Tilly. The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the Audit Committee, and management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk related parties have access to the risk register and are aware of and alert to those risks in their area of responsibility so that they can take follow-up action in an efficient manner.

CORPORATE GOVERNANCE REPORT

Our risk management activities are performed by management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Management is committed to ensure that risk management forms part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group in order to meet its needs. Nevertheless, the directors will continue to review at least annually the need for an internal audit function.

The Audit Committee has reviewed the enterprise risk and internal audit reports and based on the controls in place, is satisfied that there are effective and adequate internal controls in the Group. The Board has considered the effectiveness of its enterprise risk management and internal control system and is of the view that the internal control system adopted for the year ended 31 December 2016 was effective and the Company has complied with the CG Code.

Disclosure of Inside Information

The Group has put in place a set of policy for the disclosure of inside information which sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and in compliance with the SFO. The policy and its effectiveness are subject to review on a regular basis.

COMPANY SECRETARY

Mr. Chu Lok Fung Barry, who has been appointed as the company secretary of the Company since 12 April 2013, has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements.

SHAREHOLDERS' RIGHTS

The Board and the management of the Group endeavored to ensure all the Shareholders are treated equally and have their deserved rights. The Board has established the Shareholders' communication policy to maintain an open and effective communication with the Shareholders and to update the Shareholders on relevant information on the Group's business in a timely manner.

To safeguard Shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at Shareholder meetings, including the re-election of individual directors.

All resolutions put forward at Shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholder meeting.

Any Shareholder may appoint a proxy or representative to attend the general meeting, and they are entitled to exercise the same voting rights in the meeting.

CORPORATE GOVERNANCE REPORT

The notice of AGM is distributed to all Shareholders at least 21 clear days and 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Company's Articles of Association to put each proposed resolution to the vote by way of a poll.

Procedures for convening an Extraordinary General Meeting and Putting Forward Proposals at General Meetings by Shareholders.

Pursuant to Article 58 of the Company's Articles of Association, an extraordinary general meeting shall be called by the Board on the written requisition of any one or more Shareholders of the Company, provided that such Shareholder(s) held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be called for the transaction of any business specified in the written requisition to the Board or the Secretary of the Company; and shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no statutory provisions granting the right to Shareholders to put forward or move new resolutions at general meetings under the Companies Law or the Articles of Association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

COMMUNICATION WITH SHAREHOLDERS

To embrace best corporate governance principles and practice, the Group, as a listed company, emphasizes the importance of maintaining good communication with the Shareholders and investors, so as to increase the Company's transparency and undertaking by the Shareholders. The AGM provides a useful forum for Shareholders to exchange views with the Board, external auditor and the chairman of each of the Board committees attend the general meeting and are pleased to answer Shareholders' enquiries. Furthermore, to foster two-way communication amongst the Company, its Shareholders and potential investors, and to update them abreast of the latest industry updates, corporate communications and the Group's announcements and business development in a timely manner, the Company has appointed an investor relation advisor and a formal channel to respond to enquiries from Shareholders and the public. In the event that a Shareholder wishes to put forward a proposal to the Board, he/she may put forth his/her enquiry in writing to the Hong Kong office of the Company at Suite 5602, 56/F., The Center, 99 Queen's Road Central, Hong Kong and the Company will act on the subject matter accordingly. In addition, the Company is committed to maximizing the use of its website at www.caa-resources.com and the website of the Stock Exchange at www.hkexnews.hk as a channel to provide updated information in a timely manner and strengthen the communication with both the Shareholders and the public.

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Hong Kong office of the Company whose contact details are as follows:

Suite 5602, 56/F., The Center, 99 Queen's Road Central, Hong Kong

CHANGES TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents for the year ended 31 December 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of Directors is committed to evaluating and determining the group's ESG-related risks, and ensuring that appropriate and effective ESG, risk management and internal control systems are in place. Management should provide a confirmation to the board on the effectiveness of these systems.

The Company has complied with the code provisions set out in ESG Reporting Guide for the year ended 31 December 2016 and the report on ESG is present as follow:

ENVIRONMENTAL

Overview

Our primary business operations include iron ore mining, crushing and beneficiation as well as the sale or iron 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 representative purchase agents in China.

In light of the uncertainties of world economies and weakening demand for iron ore, the Group has taken and will expect to continue to take a cautious and prudent approach in terms of expansion for iron ore production, and at the same time the Company has switched its focus on the iron ore products and other commodity trading activities.

At CAA Resources, we know that the quality of environmental management at our operations is very important to our long-term success as a mining company. Our priority is to protect the environment and our target is to minimise environmental impact by adopting world's leading practices in our activities.

CAA Resources takes the environmental protection and restoration measures and has made great efforts to achieve the target in mitigating the impact of production and operations on the environment by recycling and conserving energy and reducing emissions as well as cleaner production with upgrading technology where it is necessary.

The mining activities consume a lot of mineral resources. Therefore, the Company tries to reduce the consumption of mineral resources by improving the rates of resources utilization, extraction and recovery.

The Company complies with all environmental protection laws and regulations where the Company operates. The main target of the Company is to take necessary environmental protection measures, fulfil the responsibility of restoration of mine environment, and prepare and implement the plans for protecting, restoring and treating the mine environment.

For mining companies, mineral resources are their foundation to survive and thrive. The Company values and encourages thrifty and efficient use of resources, while preventing waste of resources by enhancing its effort in recycling.

The Company uses the open-pit mining method to simplify operations and reduce production costs. The Company produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation process and dewatering. Method is used to extract iron ore 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced.

Improvement of the extraction rate and recovery rate:

The iron ore business minimizes the mining loss rate and dilution rate and maximizes the processing recovery rate by optimizing its mining methods and processing techniques, strengthening the management of on-site operations, and establishing strict technical standards for mining and processing in light of the actual conditions of the mine.

The Company is actively updating our "Green Policies" to ensure there is a balance between sustainable corporate development and environmental protection. To ensure the balance is achieved, the Company is constantly monitoring the emission and resource consumption rate to minimize our impact on the environment and natural resources.

The Company has developed emergency plans for unexpected environmental accidents.

In case any accident occurs, actions will be taken in accordance with the plans. The Company will report the nature of the accident immediately, investigate and analyse the cause of accident, propose and implement remedial measures, and assess its effectiveness and impacts on the environment with an aim to prevent any environmental accident and the expansion of negative impact.

Compliance and Grievance

During the year, there were no confirmed non-compliance incidents or grievances in relation to environmental aspect that have a significant impact on us.

Use of key resources

The Company complies with policies in the efficient use of resources, including energy, water and other raw materials.

It is very important to monitor the water quality, air quality and strengthen the monitoring, investigation, assessment and reporting on the ecosystem of the production operation zones, in order to prevent any environmental accident.

Key resources used by the Company include water, electricity and diesel. Use of each of these resources and, measures for more efficient use of them are summarized below.

Direct usage water

Water is the 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Direct usage electricity

The Company reduces its power consumption by using power-saving facilities.

Diesel consumption

The Company uses diesel while subcontracting all the equipment.

We reduce its diesel consumption by performing diesel-saving equipment, using diesel-powered equipment reasonably and turning off equipment not running for a long time in a timely manner.

We make use of a water pool to accomplish the process of iron ore cleaning, which produces very little or almost no diesel fumes or dust, to protect the environment from air pollution. As for the potential noise pollution, currently there is no specified emission levels in laws or regulations in Malaysia to regulate the noise produced during equipment operation, however, the noise produced by the equipment used is little and our mine location is sparsely populated and distant from residential area. Therefore the air and noise pollution should not be a concern.

Emissions

The Company complies with laws and regulations that have significant impact relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

The Company has enhanced its management of emissions to reduce the emission of waste by utilizing technologies and recycling.

We are proactively monitoring the production process to reduce wastage, we believe that we can minimize our impact on the environment and create a better future for the next generations. We implemented the following practices to use paper efficiently and wisely:

1. Employees are encouraged to use both sides of paper and electronic versions of the documents where it is possible;

2. Our Company forbids employees to throw away or burn domestic waste at wills;

3. Paper waste is recycled instead of being directly disposed of in landfills;

4. Paper is separated from other waste for easier recycling; and

5. We keep reminders about influence of people on the nature and our planet as a whole on the walls for our employees.

6. The Company encourages the recycling of waste and used materials, with an aim to reduce of resources and turn waste into wealth.

To carry out mining activities CAA Resource should occupy part of the land, but after the mining is completed, the Company will restore the land and vegetation there through land reclamation and revegetation measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In order to minimise our business effect on the environment and manage the potential risks, relating to environmental protection matters, we will conduct reclamation/rehabilitation works and we will also recycle and reuse waste water at our ore processing lines and tailing ponds. We will continue to explore other means to further improve resource optimisation and efficiency.

Reclamation and 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.

For achieving the environmental goal the Company should:

- Comply with applicable environmental legislation, regulations and operating permits;
- Identify, assess and mitigate all potential environmental impacts associated with our activities;
- Have committed leadership and develop a strong culture of environmental stewardship within the entire workforce;
- Make available the resources, systems and training necessary to empower our employees and contractors to meet our environmental responsibilities;
- Safe placement of tailings and waste rock;
- Minimisation of clearing of natural vegetation and rehabilitation of cleared areas as soon as possible;
- Rehabilitation of the site, after operations, to a safe and stable condition, supporting native forest or other sustainable land uses in accordance with needs;
- Establish site-specific environmental management targets in regards to these outcomes and monitor our success in meeting these targets.

SOCIAL PART

At CAA Resources, we focus on our efforts in providing a safe working environment for our employees as well as caring for the overall wellbeing of our employees. In relation to employment and labor practices, our human resource department focuses on employment, health and safety, training and development.

The Company complies with laws and regulations that have significant impact on relating to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, anti-discrimination and other benefits.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Employment

In 2016, the Group has 51 employees in total (2015: 43). The number of employee increased due to the expansion of commodity trading business and appointment of certain senior management.

At CAA Resources, we have developed an "Anti-discrimination Policy" to ensure our all our employees understand harassment and discrimination are not be tolerated in the Company. Our Company is committed to provide a great working environment where all employees are treated equally. All employees are assessed based on their ability, performance and contribution, irrespective of their nationality, race, religion, gender, age or family status.

Our human resources department is responsible for conducting investigations over reported incidents in regarding the discrimination or abuse. If a report incident is confirm, the Company will terminate the employee's employment contract and seek legal actions against the offender.

Our Company constantly monitors our employees' performance. New admitted employees will have a 3-month probation period and after they will be able to join the Group permanently.

Pregnant Women

CAA Resources provide comprehensive support for our female employees.

The Company continues to uphold the government laws and provide comprehensive support to pregnant employees. At CAA Resources, we have "Support Policy". To show our full support for our pregnant employees, their original job is available to them upon their return. Furthermore, during their pregnancy period, the Company prohibits our pregnant employee to perform heavy lifting assignments, this is ensure the child and mother are both safe at CAA Resources.

In China according to the local law pregnant women allowed to have a maternity leave for 6 months after giving birth.

Cultural activities

Employee engagement has been our core strategy for enhancing productivity and workforce stability. Over the years, our Human Resources Department has contributed numerous effort in organizing activities to strengthen the bonding within the CAA Resources family.

During the year, the Company organized activities, including lunch gatherings, cultural events for Chinese new year and National day, Dragon Boat festival. To encourage work-life balance among our employees Company has early leave in all locations for Chinese New Year, Christmas, New Year. In China the Chinese new year holidays are extended up to 7 days.

The Company always emphasis on the unity and harmonious among the working environment. For such purpose, we organized team building activities regularly. In December 2016, we had a Christmas party inviting all staff to join and acted as a great chance to get the people together.

All our employees are entitled to 1 to 3 day's marriage leave and 1 to 3 day's funeral leave. It is normal practice in our Company to get it as a paid leave for a special occasion.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

We believe, that the staff is the greatest asset of the organization and by investing in employees with training will promote job satisfaction, increases motivation and lowers staff turnover.

During the financial year of 2015/2016, the Company had provided on-job training on various training sessions including training on the Company's internal policies, safety, business, financial reporting, etc. All new joiners receive an induction training on their first day of employment.

Different types of trainings our Company provides for our middle, senior and director's levels to be sure that all staff has updated information and enough knowledge to provide service that is expected from all of them.

In Malaysia, a two-days training was provided from the Malaysian Mining Bureau – A lecture of Mining Industry Basics in September 2016. Another training regarding to Malaysia Customs-Updates on the Consumption Tax and Tax Codes was also provided in October 2016.

In Hong Kong, there were five training sections provided to senior management in 2016. The first training in April was on Doing Business in Asia while the second, provided in May, was on The Promise of Big Data Analytics-Creating the Business Opportunities and Advantages like Never provided. In September, training of Annual Update on Financial Reporting was provided, followed by the training of East Asia Economic Stability at Bay: The Role of International Cooperation in November. The last training section in 2016 was training for the senior and directors.

In China, two training sections were offered. The first was in early December, which was offered to all staff on the topic of Economic Situation and Changes in Trend, including the reason for RMB depreciation, explanation on M2 terms, eight commodities comprising Consumer Price Index in China, economic trend of Sino American economy and the developing direction of the Company. The second was provided to senior management in late December, which was about Financial Investment Methods of 2017, including asset-backed securitization, exchangeable bond and mergers and acquisitions.

Emergency drill

Fire drills are more than an exercise designed to evaluate staff response to a simulated emergency. They are also a test of your facility's fire safety/evacuation plans and staff training programs.

In 2016 the Company organized fire drill in accordance with the relevant regulations.

In January 2016 the Company provided fire prevention training for 12 employees of China Office.

Our Company enhances management and control over safety and health risks, and achieved the annual target of zero death and no accidents during 2016 year.

Zero Tolerance

We want to ensure that all employees understand the Company prohibits the use of child and forced labour in all of our operations. At CAA Resources, all our employees are over the age of 18 and all of them complied with all the rules and requirements under applicable laws or ordinances.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Complaints

In practice of our Company, if the employee(s) would like to lodge a complaint, they can report it directly to their department head, if they are unsatisfied with the results, they can file complaints further to the Director.

Employees can file a complaint or accusation against senior management. The human resources department is responsible for handling the cases. We encourage our employees to provide feedback. We are always trying to listen and understand the requests from our employees. We want our employees to grow in friendly and peaceful working environment.

Anti-Corruption

At CAA Resources, we prohibit bribery and corruption practices. Under no circumstances that the Directors and employees are permitted to use insider information for their own gains.

In our workplace, in order to maintain a high standard of integrity and impartiality, we encourage our employees to whistle-blow on suspected corruption incident and the whistle-blower will be remained as anonymous. In the Financial Year 2015/2016, there was no corruption cases found or reported at the Group.

Charity

Our Company cares about the community. In 2016, we donated HKD598,800 (or approximately USD77,205) in total. One donation is HKD500,000, which is to Sheen Hok Charitable Foundation in support of Heartpanda art exhibition held at 1881 Heritage from October to November 2015. Another donation is HKD98,800 which is to Bosco Charity Association Limited ("BCA"). Our chairman and CEO was invited to BCA Annual Charity Ball 2016 in October 2016.

Supply Chain Management

Our Company aims to provide comprehensive solutions that meet customers' needs and establish a comprehensive vertical supply chain management system through resource integration and suppliers management. In addition to improving cost competitiveness, we also focus on the suppliers' development capability and their ability of sustainable development.

Our Company is not focused just on sole supplier, we have 17 suppliers in total and they are wildly spread all over the world. Suppliers were mainly located in Hong Kong and Singapore, with 5 suppliers and 6 suppliers respectively. Other suppliers include one in Luxemburg, one in Australia, two in Malaysia and two in mainland China. We hope to collaborate with suppliers in innovation development and application, participating in production process enhancement for the continuous optimization of supply chain capabilities as well as performing responsibilities in social and environmental protection.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Li Yang, aged 29, was appointed as Director on 25 April 2012 and was redesignated as an executive Director, the chairman and Chief Executive Officer of the Company on 12 April 2013 and was re-elected as executive Director on 19 June 2015. Mr. Li is the director of Capture Bukit Besi since September 2013, the director of Keen Wise Asia Investment Limited since 27 July 2015, the director of Shenzhen Shihua Information Technology Limited since 25 November 2015 and currently the Group's resident key management executive in Malaysia, responsible for the day-to-day business management and supervision of mining production. He is also the chairman of the Nomination Committee.

Mr. Li first joined our Group in December 2009 as our resident representative for our mines in Malaysia. In February 2010, he was appointed as the director of Capture Advance, our principal operating entity in Malaysia, and also the director of Capture Advantage and director of Best Sparkle Development Ltd. since June 2011. He had since represented our Group in the liaisons with clients and various Malaysian governmental authorities. Apart from managing our business operation in Malaysia, Mr. Li also played a vital role in the Group's business development in the PRC, and was a key figure in procuring our Group's entering into the framework agreement with one of our major customers. Mr. Li was closely involved in our daily 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 the strategic planning of the Group's ongoing business expansions. Mr. Li is the sole director of Cosmo Field which is the beneficial owner of 843,750,000 Shares of the Company, representing 56.25% of the issued share capital of the Company.

Mr. Li graduated from the College of Business of Eastern New Mexico University in the United States in 2009 with a major degree in business administration. He is the son of Mr. Li Dongming, the founder of the Group, and nephew of Ms. Li Xiaolan.

Ms. Li Xiaolan, aged 52, was appointed as an executive Director and the deputy general manager of the Company on 12 April 2013. She joined our Group in March 2008 and had been appointed as the director of Capture Advantage, Best Sparkle Development Ltd. and 3W Development Limited since August 2010, November 2010 and February 2014 respectively. Ms. Li is currently 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, she is also responsible for reviewing and approving the financials and feasibility of new projects.

Ms. Li has approximately 18 years of experience in accounting. Previously she 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 the finance director of Chengdu Hande between November 2003 and August 2007.

Ms. Li obtained a 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 the younger sister of Mr. Li Dongming, the founder of the Group, and aunt of Mr. Li Yang.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Er, aged 60, was appointed as an executive Director and the production supervisor of our Company on 12 April 2013 and was re-elected as an executive Director on 19 June 2015. He had also been appointed as the director of Capture Advance, Pacific Mining and Capture Advantage Besi since February 2010, May 2011 and June 2011 respectively. Mr. Wang has approximately 33 years of experience in the mining industry. Mainly responsible for the daily operation and production of the Group's mines, he is the key on-site person-in-charge of Project Ibam as well as the resident supervisor at the mine site for overall production management and testing of iron ore grading.

Mr. Wang first joined our Group in March 2008 as the resident representative in Malaysia and took part in a number of field trips in search for suitable mining projects in Malaysia. He was also actively involved in the establishment of the Group's warehouse in Kuantan.

Prior to joining the Group, Mr. Wang served as the general manager of Chengdu Hande between November 2003 and December 2006, and was mainly responsible for the preliminary screening of potential investment opportunities in the mining sector. Between March 1998 and October 2003, Mr. Wang was the general manager of Sichuan Guandi Mine (四川官地鐵礦), serving as the key on-site person-in-charge of the mining project, and responsible for the construction of mining production lines and arranging staff for the mining operation. Before that, Mr. Wang had also 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).

Mr. Wang graduated from Henan Jiaozuo Mining Institute (河南焦作礦業學院) in the PRC with a major degree in mineral processing in 1998.

Ms. Xu Mijia, aged 32, was appointed as the director of China Bright Industries Limited (formerly known as China Bright Mining Limited) since 10 April 2012. Ms. Xu joined the Group since December 2007 as Trading Manager Assistant. Ms. Xu is responsible for the implementation and management of marketing strategies and trading business of the Group. Ms. Xu has over 9 years of experience in bulk commodity especially in mineral industries.

Ms. Xu holds a bachelor's degree in economics from Sichuan University in China and a bachelor's degree in business administration from Montpellier Business School in France.

Independent Non-executive Directors

Mr. Kong Chi Mo (江智武), *FCCA, FCIS, FCS & MHKIoD*, aged 41, is our independent non-executive Director. Mr. Kong has over 19 years of experience in auditing , corporate finance, investor relations and corporate governance. Mr. Kong currently holds various positions in the following companies listed on the main board of the Stock Exchange:

Name of listed company	Stock code	Position held	Period
China Vanadium Titano – Magnetite Mining Co., Ltd.	00893	Company secretary and authorised representative	September 2009 – Present
Hengshi Mining Investments Limited	01370	Independent non-executive director	June 2013 – Present
Huazhang Technology Holding Limited	01673	Independent non-executive director	May 2013 – Present

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Kong was the executive director and chief financial officer of China Vanadium Titano-Magnetite Mining Co., Ltd. from October 2013 to May 2015 and from May 2008 to May 2015, respectively. Mr. Kong worked at KPMG from October 1999 and was a senior manager when he left in December 2007. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and worked 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 a member of the Hong Kong Institute of Directors ("HKIoD") since May 2010. Mr. Kong received silver, gold and bronze certificates of merit in continuing professional development in 2013, 2014 and 2015 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 52, was appointed as an independent non-executive Director of the Company on 12 April 2013, mainly responsible for independent supervision and management of the Company. He was the leader in a variety of scientific research projects, including but not limited to 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).

Dr. Li obtained his bachelor's degree in science from the department of geology of Nanjing University (南京大學) in 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 1989, and working with Chengdu ever since. 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 subsequently for three years as a post doctorate in Peking University and completed post-doctoral research in Saint Louis University of United States from May 2005 to November 2006.

Dr. Wang Ling, aged 58, was appointed as an independent non-executive Director on 12 April 2013 and was re-elected as independent non-executive Director on 19 June 2015, mainly responsible for the independent supervision of the Company. He is also the chairman of the Remuneration Committee 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.

Before that, 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 researcher, researcher 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. He 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

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 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.

SENIOR MANAGEMENT

Mr. Zhang Wu, aged 45, was appointed as the Chief Financial Officer of the Company, director of China Bright Industries Limited and China Bright (Pte.) Limited on 18 April 2016, 1 June 2016 and 19 October 2016 respectively. Mr. Zhang is responsible for the Group strategic finance and general management of the Group accounting and finance functions. Mr. Zhang holds a master of business administration from the York University in Canada, a bachelor of accounting and a master of finance degree from the Central University of Finance and Economics in China. He is a Chartered Professional Accountants and Certified Management Accountants of Ontario in Canada. Mr. Zhang has over 23 years of experience in corporate finance and accounting. He has held senior positions in various companies in Hong Kong and Mainland China.

Mr. Yan Xiaodong, aged 57, was appointed as the Company's chief engineer on 12 April 2013, mainly responsible for on-site geological exploration and mining operations of the Group. Mr. Yan has approximately 32 years of experience in the mining industry. He joined our Group in March 2008 and since then had taken part in a number of field trips to Malaysia in search for suitable 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.

And his working experience includes:

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, where he was mainly responsible for appraisal of exploration rights and mining rights, providing geological and mining advice and advising on the 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.

Before that, Mr. Yan worked with the Sichuan Metallurgy and Geology Exploration Bureau of the Ministry of Metallurgical Industry (四川省冶金地質勘查局) where he successively served as technician, assistant engineer and engineer, where he focused on geological prospecting, special study on gold mines and polymetallic mines.

Mr. Yan graduated from Kunming Institute of Technology (昆明工學院) in the PRC majoring in mineral surveying and prospecting in 1983.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Zeping, aged 59, was appointed a vice deputy manager and mine manager of the Company on 12 April 2013 as resident representative in Malaysia, mainly responsible for the supervision and management of the on-site production of Ibam Mine. Mr. Wang has approximately 35 years of experience in the mining industry. He joined our Group since March 2008 and appointed as director of Capture Bukit Besi in September 2013 where he mainly supervises the daily operation of beneficiation line of Ibam Mine.

Before joining the Group, Mr. Wang worked with Haikou Yiming Industry and Trade Company (海口怡明工貿公司) from January 1993 to November 2007 as deputy general manager and general manager, mainly responsible for the overall supervision of upgrading iron ore to higher grade 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. Before that, Mr. Wang had 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, 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.

Mr. Wang graduated from Haikou Technician School (海口市技工學校) in the PRC in 1980.

Mr. Chu Lok Fung Barry, aged 46, 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 worked with a number of listed companies and was responsible for various finance and management control duties. Mr. Chu has over 13 years of experience of auditing, financial and accounting gained from international accounting firms and listed companies, and has served as the auditor of two audit firms in Hong Kong for more than six years. 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 holds a master of economics from the University of Hong Kong, 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.

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.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are 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. There were no significant changes in the nature of the Group's principal activities during the year while the Company has consolidated its focus on trading of iron ore and has undertaken financing related businesses during the year under review. Details of the Company's subsidiaries as at 31 December 2016 are set out in note 1 to the financial statements of this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 20 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of proper adoption of environmental policies is essential to the attainability of corporate growth. The Group uses the open-pit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation process and dewatering. The method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced. For more discussion on the Group's environmental, policies and performance, please refer to "Environmental, Social and Governance Report" on pages 33 to 39 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2016 and up to the date of this report, the Board was unaware of any non–compliance with the relevant laws and regulations that have a significant impact on the Company.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Discussions on the Group's relationships with its employees, customers and suppliers is contained in the section headed "Environmental, Social and Governance Report" on pages 36 to 39 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and Malaysia while the Company itself is listed on the main board of The Stock Exchange of Hong Kong Limited. The establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, the PRC and Malaysia. During the year ended 31 December 2016 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on page 21 to 32 of this annual report.

DIRECTORS' REPORT

SIGNIFICANT EVENTS SINCE THE END OF FINANCIAL YEAR UNDER REVIEW

On 5 January 2017, Cosmo Field granted an interest-free and security free shareholder loan of USD10.0 million to the Company.

FUTURE PLAN

In light of the uncertain market conditions for the self-production of mine segment, the Group will focus more on the trading of commodities (including, but not limited to, iron ore), and also strive to diversify the income sources. The Group aims to diversify the business portfolio, strategies included to merge with and acquire a series of other businesses so the scope of business becomes more diversified.

FINANCIAL KEY PERFORMANCE INDICATOR

Key performance indicators used by the Group are listed on page 2 of this annual report. Please refer to the section headed "Financial Review" in the Management Discussion and Analysis in this annual report for details.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 62.

No interim dividend was paid during the year (2015: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on 3 July 2013. Net proceeds from the Global Offering have been and will continue to be used by the Group for the operations in Malaysia, such as expanding the mining and beneficiation capacity of Project Ibam, constructing the new berth at Kuantan Port, acquiring companies with existing exploration rights or mining assets in Malaysia and replenishment of working capital. Reference is made to the section headed "Future Plans and Use of Proceeds" in the Prospectus. In light of the current difficult market conditions, the Group has been and will remain cautious for utilizing the proceeds on mining projects.

According to the intended usages as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the application of such proceeds during the year under review was as follow:

	Net Proceeds (USD'000)		
Particulars	**Available**	**Utilized**	**Unutilized**
Expansion of mining and beneficiation capacity of Project Ibam	14,830	–	14,830
Construction of the new berth at Kuantan Port	10,488	–	10,488
Total	25,318	–	25,318

DIRECTORS' REPORT

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on Thursday, 18 May 2017. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 15 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 12 May 2017.

SUMMARY OF FINANCIAL INFORMATION

A five year summary of the consolidated results, assets and liabilities of the Group, as extracted from the audited consolidated financial statements of the Group and the Prospectus, is set out on pages 130 and 131 in this annual report. This summary does not form part of the audited financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group, including the interest-free and security-free loan of USD50 million by Cosmo Field Holdings Limited, the ultimate parent company of the Company, as at 31 December 2016 are set out in note 21 to the financial statements.

SENIOR NOTES

Details of the senior note issued by the Company on 20 September 2016 are set out in note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2016 was USD0.2 million (2015: nil). Details of the movements during the year in the Group's property, plant and equipment are set out in note 11 to the financial statements of this annual report.

SHARE CAPITAL

Details of the movements during the year in the issued share capital of the Company are set out in note 25 to the financial statements of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements during the year in the reserves of the Group are set out in the consolidated statement of changes in equity on page 65 of this annual report. As at 31 December 2016, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association was USD47.5 million (2015: USD47.5 million). Under the Companies Law, subject to the provision of its Articles of Association, the share premium account may be applied by the Company in paying distributions or dividends to its members or in paying up unissued shares to be issued to its members as fully paid bonus shares provided that 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 is able to pay its debts as they fall due in the ordinary course of business. The reserves of the Company available for distribution depend on the dividend distributable by the Company's subsidiaries.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there is no restriction against such rights which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totaling USD77,205 (2015: USD5,156).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 86.3% of the Group's total sales for the year ended 31 December 2016 (2015: 92.0%), and sales to its largest customer accounted for 35.9% of the Group's total sales for the year ended 31 December 2016 (2015: 37.0%). Purchases from the Group's five largest suppliers accounted for approximately 81.5% of the total purchases for the year ended 31 December 2016 (2015: 90.3%) and purchases from the largest supplier accounted for approximately 35.9% of total purchases for the year ended 31 December 2016 (2015: 52.0%).

None of the Directors, their associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers during the year.

The Board is of the view that the Group has maintained a harmonious business relationship with its major customers and suppliers during the year under review.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executives Directors

Mr. Li Yang
Ms. Li Xiaolan
Mr. Wang Er
Ms. Xu Mijia (appointed on 12 September 2016)
Mr. Dong Jie (resigned on 12 September 2016)

Independent Non-Executive Directors

Mr. Kong Chi Mo
Dr. Li Zhongquan
Dr. Wang Ling

DIRECTORS' REPORT

On 12 September 2016, Mr. Dong Jie resigned as an executive director of the Company due to personal health issue and acted as a consultant of the Company after his resignation. On the same date, Ms. Xu Mijia was appointed as executive director.

In accordance with the Company's Articles of Association, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring director shall be eligible for re-election. A director appointed to fill a vacancy or as an additional director shall retire at the next following general meeting and shall then be eligible for re-election. In compliance with the provisions of the Articles, Mr. Li Yang, Mr. Wang Er, Dr. Wang Ling and Ms. Xu Mijia shall retire from office by rotation, and, being eligible, offer themselves for re-election at the forthcoming AGM. All other remaining Directors continue in office.

The Company has received annual confirmation of independence from each of the three independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules and considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the above Directors and senior management are set out in the section headed "Profiles of Directors and Senior Management" on pages 40 to 44 of this annual report.

The Board is of the view that the Group has maintained a harmonious employment relationship with its board members and senior management during the year under review.

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party for the year the year ended 31 December 2016.

Cosmo Field Holdings Limited, our controlling shareholder wholly-owned by Mr. Li Yang who is the executive Director, has provided a security-free and interest-free loan of USD50.0 million to the Company.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group for the year ended 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of Shares of the Company granted to any Director or their respective spouse or minor children; or were any such rights exercised by them or was the Company, or any of its subsidiaries a party to any arrangement to enable those persons to acquire such rights in any other body corporate.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors and independent non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 3 July 2016.

None of the Directors has entered into any service agreement with the Company which is not determinable within one year without payment of compensation, other than the statutory compensation.

PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

The Company has taken out and maintained directors and officers liability insurance since the Listing of the Company which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

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

As at 31 December 2016, the Directors and the Chief Executive Officer of the Company had the following interests and short positions in the Shares, underlying Shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) Long positions in Shares of the Company:

Name of Director	Nature of Interest	Number of Ordinary Shares	Approximate percentage of the Company's issued share capital
Li Yang (notes 2 & 3)	Interest in controlled corporation	843,750,000 (L)	56.25%
		59,090,909 (S)	3.94%

DIRECTORS' REPORT

Note:

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

2. Mr. Li beneficially owns the entire issued share capital of Cosmo Field Holdings Limited ("Cosmo Field"). Therefore, Mr. Li is deemed, or taken to be, interested in all the shares of the Company held by Cosmo Field for the purpose of the SFO. Mr. Li is the sole director of Cosmo Field.

3. The Company has been notified that Cosmo Field have charged certain shares in favour of third parties as at the Latest Practicable Date:

   (a) The Company has been notified that 711,000,000 shares ("Shares") of the Company and 41,000,000 Shares which were previously charged by Cosmo Field in favour of Cheer Hope Holdings Limited, have been released on 23 September 2016 and 26 September 2016 respectively. The Company has also been notified that, Cosmo Field has charged 711,000,000 Shares and 41,000,000 Shares (collectively "Charged Shares") in favour of an independent third party institution on 23 September 2016 and 27 September 2016 respectively. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the Latest Practicable Date.

   (b) The Company has been notified that, on 22 December 2016, Cosmo Field has charged the Charged Shares (being 752,000,000 shares of the Company) in favour of an independent third party institution as a second priority lender.

(ii) Long position in shares of the associated corporation:

Name of Director	Nature of associated corporation	Nature of Interest	Approximate percentage of interest in the share capital of the associated corporation
Li Yang (notes 2 & 3)	Cosmo Field	Beneficial owner	100.00%

Save as disclosed above, as at 31 December 2016, none of the Directors nor the Chief Executive Officers of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

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

As at 31 December 2016, so far as it is known to the Directors, the persons (other than the Directors or Chief Executive Officer of the Company) with interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group were as follows:

Substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholdings
Cosmo Field (notes 2, 3)	Beneficial owner	843,750,000 (L) 59,090,909 (S)	56.25 (L) 3.94%
China Huarong International Holdings Limited	Person having a security interest in shares	752,000,000 (L)	50.13%
China Huarong Asset Management Co., Ltd.	Person having a security interest in shares	752,000,000 (L)	50.13%
Huarong Real Estate Co., Ltd.	Person having a security interest in shares	752, 000, 000 (L)	50.13%
Hua Heng (note 4)	Beneficial owner	100,575,000 (L)	6.71% (L)
Yang Jun (note 4)	Interest in controlled corporation	100,575,000 (L)	6.71% (L)
Tang Lingyan (note 4)	Interest of a Substantial Shareholder's child under 18 or spouse	100,575,000 (L)	6.71% (L)

Note:

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

2. Mr. Li beneficially owns the entire issued share capital of Cosmo Field Holdings Limited ("Cosmo Field"). Therefore, Mr. Li is deemed, or taken to be, interested in all the shares of the Company held by Cosmo Field for the purpose of the SFO. Mr. Li is the sole director of Cosmo Field.

DIRECTORS' REPORT

3. The Company has been notified that Cosmo Field have charged certain shares in favour of third parties as at the Latest Practicable Date:

   (a) The Company has been notified that 711,000,000 shares ("Shares") of the Company and 41,000,000 Shares which were previously charged by Cosmo Field in favour of Cheer Hope Holdings Limited, have been released on 23 September 2016 and 26 September 2016 respectively. The Company has also been notified that, Cosmo Field has charged 711,000,000 Shares and 41,000,000 Shares (collectively "Charged Shares") in favour of an independent third party institution on 23 September 2016 and 27 September 2016 respectively. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the Latest Practicable Date.

   (b) The Company has been notified that, on 22 December 2016, Cosmo Field has charged the Charged Shares (being 752,000,000 shares of the Company) in favour of an independent third party institution as a second priority lender.

4. Tang Lingyan is the spouse of Mr. Yang Jun. Mr. Yang Jun beneficially owns the entire issued share capital of Hua Heng. Therefore, Tang Lingyan is deemed, or taken to be, interested in all the Shares of the Company held by Hua Heng for the purpose of the SFO. Mr. Yang Jun is the sole director of Hua Heng.

Save as disclosed above, as at 31 December 2016, no other person had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to Section 336 of the SFO or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote under all circumstances at general meetings of any other member of the Group.

REMUNERATION OF THE DIRECTORS

The remuneration of the Directors is determined with reference to the Directors' duties and responsibilities under their employment or service contracts as approved by the Company's Shareholders resolutions in writing on 12 April 2013 before the Listing and the Board under the authority of the shareholders' resolutions passed on 30 April 2014, with the operating results of the Group and performance of the individual taken into account and aligning with market statistics. Details of the remuneration of the Directors are set out in note 8 to the financial statements of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transaction are stated in note 31 to the financial statements of this annual report, which comprise of (1) the interest-free and security-free shareholder loans of USD50,000,000 by Cosmo Field (the controlling shareholder of the Company) to the Company, repayment of previous security-free and interest-free shareholder loan to Cosmo Field and provision of guarantee by Mr. Li, his father and his controlled entity with respect to the Company's loans at nil consideration, which are all fully exempt connected transaction under Rule 14A.90 of the Listing Rules; and (2) remuneration payable to the Directors and other key management personnel of the Group.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in notes 2.4 and 7 to the financial statements.

DIRECTORS' REPORT

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Shareholders by way of written resolution on 12 April 2013 for the purpose of attracting and retaining the best available personnel; providing additional incentive to employees (full-time and parttime), Directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group; and to promoting the success of the business of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The period of Share Option Scheme commences on 12 April 2013 and will expire at the close of business on the business day immediately preceding the tenth anniversary thereof on 11 April 2023.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fallen within the period before listing.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK$1.00.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The maximum number of unexercised share options currently permitted to be granted under the Company's Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time (being 150,000,000 Shares, representing 10% of the total issued shares of the Company as at 31 December 2016). The maximum number of shares issuable under

DIRECTORS' REPORT

share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting. During the twelve months ended 31 December 2016, the Company may grant options in respect of up to 150,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2016. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 31 December 2016.

NON-COMPETITION UNDERTAKING

Each of the executive Directors (collectively the "Covenantors") have entered into a Deed of Non-Competition in favour of the Company (on behalf of itself and the Group) dated 9 June 2013 (the "Deed"). Pursuant to the Deed, each of the Covenantors shall procure that their respective associates shall not directly or indirectly engage in any business in competition with the existing business activity of the Group. Relevant information on the Deed was disclosed in the Prospectus in the section headed "Relationship with Controlling Shareholders".

The Company has received confirmations from the Covenantors of their compliance with the terms of the Deed. The Covenantors declared that they have fully complied with the Deed for the year ended 31 December 2016. The independent non-executive Directors have reviewed on the confirmations from the Covenantors and concluded that the Deed has been complied with and has been effectively enforced.

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained at least 25% of public float as for the year ended 31 December 2016 and up to the date of this annual report..

AUDITOR

The Company has appointed Ernst & Young as auditor of the Company for the year ended 31 December 2016. A resolution will be proposed for approval by the Shareholders at the 2017 AGM to re-appoint Ernst & Young as auditor of the Company.

On Behalf of the Board of Directors

LI Yang
Chairman and Chief Executive Officer

24 March 2017

INDEPENDENT AUDITOR'S REPORT

EY 安永

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To the shareholders of CAA Resources Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CAA Resources Limited (the "Company") and its subsidiaries (the "Group") set out on pages 62 to 129, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current assets including goodwill related to Ibam mine	
As at 31 December 2016, the Group had material balances in non-current assets related to the Ibam Mine cash-generating unit (the "Ibam Mine CGU"), consisting of mining rights and reserves of USD11,782,000 and property, plant and equipment of USD4,171,000. Due to the downturn and volatility of the international iron ore price during the current year, primary activities in mining, crushing and beneficiation at the Ibam Mine have been largely suspended. These are considered impairment indicators for such assets and therefore management performed an impairment assessment. Furthermore, as at 31 December 2016, the Group has goodwill related to the Ibam Mine CGU of USD6,172,000. In accordance with IAS 36, goodwill is tested for impairment annually. The impairment assessment of the Ibam Mine CGU consisting of the non-current assets and the goodwill involves significant estimation uncertainty, subjective assumptions and application of significant judgement. The Group's disclosures in relation to the impairment test are set out in note 3 and note 15 to the financial statements, which specifically explain management's accounting estimates and key assumptions.	We involved our valuation specialists in our audit to support our assessment of the assumptions and methods that were used by the Group in testing the discount rate and assessing the model that calculates future cash flows. Furthermore, we evaluated the assumptions such as the date on which mining is expected to recommence, the expected growth rates, the projected selling prices, sales and production volumes etc. used in the valuation. We assessed the expected future cash flows prepared by management and reconciled the inputs used to determine the value in use calculation with the budget and financial projections. We also assessed the adequacy of the disclosures in the financial statements of the assumptions.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of financial assets	
As at 31 December 2016, the Group had material investments in various financial assets, including loans and unlisted equity investments which were designated as available-for-sale financial assets. For loans and available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. The assessment of whether objective evidence of impairment exists is an inherently uncertain process involving significant management judgement including their assessment of investees' and debtors' financial conditions and expected future cash flows. In addition, the Group measured its available-for-sale financial investments at fair value with the corresponding fair value change recognised in other comprehensive income. The valuation of such investments is inherently subjective as they are valued using financial models which require unobservable input rather than by reference to quoted prices in an active market. The Group's related disclosures are included in note 2.4, note 3, note 13 and note 14 to the financial statements.	We evaluated the Group's accounting policies relating to impairment assessment of financial assets in relation to applicable IFRSs requirements. We also evaluated the Group's assessment whether objective evidence of impairment exists for individual financial assets. For loans receivable, we evaluated the financial strength of debtors with over due balances, checked subsequent settlements and analysed the debtors' historic repayment pattern for anomalies. Our audit procedures also included the assessment of controls over the approval, recording and monitoring of loans receivable. For available-for-sale investments, we obtained and reviewed the recent financial statements of the investees. For available-for-sale investments measured at fair value, we performed, among other procedures, an assessment of the methodology and the valuation models and inputs used to value investments available-for-sale. Further, we involved our internal valuation specialists to assist us with our audit of the valuation models and of the unobservable inputs to those models. Finally, we assessed the adequacy of the related disclosures in the notes to the financial statements.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Wai Lap, Philip.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 USD'000	2015 USD'000
REVENUE	5	**1,240,674**	550,168
Cost of sales		**(1,226,963)**	(535,266)
Gross profit		**13,711**	14,902
Other income and gains		**3,738**	2,735
Selling and distribution expenses		**(180)**	(120)
Administrative expenses		**(5,379)**	(5,072)
Other expenses		**(3,466)**	(9,361)
Finance costs	6	**(2,836)**	(355)
PROFIT BEFORE TAX	7	**5,588**	2,729
Income tax expense	9	**(1,243)**	(2,112)
PROFIT FOR THE YEAR		**4,345**	617
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Changes in fair value of available-for-sale investments		**5,884**	–
Income tax effect		**(1,471)**	–
		4,413	–
Exchange differences on translation of foreign operations		**(178)**	(2,870)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**4,235**	(2,870)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**8,580**	(2,253)
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted (US cents)	10	**0.29**	0.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	**2016** **USD'000**	2015 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**4,816**	5,936
Mining rights and reserves	12	**11,782**	12,308
Prepayments, deposits and other receivables	13	**–**	15,335
Available-for-sale investments	14	**23,884**	18,000
Goodwill	15	**6,172**	6,427
Deferred tax assets	22	**232**	242
Total non-current assets		**46,886**	58,248
CURRENT ASSETS			
Inventories	16	**–**	21,855
Trade receivables	17	**91,918**	46,075
Prepayments, deposits and other receivables	13	**19,055**	11,479
Pledged deposits	18	**11,044**	5,302
Cash and cash equivalents	18	**74,922**	27,664
Total current assets		**196,939**	112,375
CURRENT LIABILITIES			
Trade payables	19	**24,268**	15,303
Other payables and accruals	20	**52,707**	1,314
Interest-bearing bank and other borrowings	21	**33,715**	35,485
Tax payable		**5,802**	7,294
Total current liabilities		**116,492**	59,396
NET CURRENT ASSETS		**80,447**	52,979
Total assets less current liabilities		**127,333**	111,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 USD'000	2015 USD'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	21	**23**	74
Senior notes	22	**20,213**	–
Other payables and accruals	20	**–**	3,887
Deferred tax liabilities	23	**4,193**	2,968
Provision for rehabilitation	24	**353**	327
Total non-current liabilities		**24,782**	17,256
Net assets		**102,551**	93,971
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	**1,934**	1,934
Reserves	26	**100,617**	92,037
Total equity		**102,551**	93,971

Li Yang
Director

Li Xiaolan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Attributable to owners of the Company							
	Issued capital USD'000 (note 25)	Share premium USD'000 (note 26(a))	Capital reserve USD'000 (note 26(b))	Contributed surplus USD'000 (note 26(c))	Available-for-sale investment revaluation reserve USD'000	Exchange fluctuation reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2015	1,934	47,541	13,825	50	–	(2,918)	34,661	95,093
Profit for the year	–	–	–	–	–	–	617	617
Other comprehensive loss for the year:								
Exchange differences related to foreign operations	–	–	–	–	–	(2,870)	–	(2,870)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(2,870)	617	(2,253)
Equity contribution from the ultimate holding company	–	–	1,131	–	–	–	–	1,131
At 31 December 2015	1,934	47,541*	14,956*	50*	–*	(5,788)*	35,278*	93,971
At 1 January 2016	**1,934**	**47,541**	**14,956**	**50**	**–**	**(5,788)**	**35,278**	**93,971**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,345**	**4,345**
Other comprehensive income/(loss) for the year:								
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**(178)**	**–**	**(178)**
Changes in fair value of available-for-sale investments, net of tax	**–**	**–**	**–**	**–**	**4,413**	**–**	**–**	**4,413**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**4,413**	**(178)**	**4,345**	**8,580**
At 31 December 2016	**1,934**	**47,541***	**14,956***	**50***	**4,413***	**(5,966)***	**39,623***	**102,551**

* These reserve accounts comprise the consolidated reserves of USD100,617,000 (2015: USD92,037,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	**2016 USD'000**	2015 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**5,588**	2,729
Adjustments for:			
Finance costs	6	**2,836**	355
Unrealised foreign exchange losses		**797**	5,321
Interest income		**(3,730)**	(1,371)
Dividend income from unlisted investments		**–**	(1,200)
Loss on disposal of items of property, plant and equipment	7	**73**	3,309
Write-off of payments in advance	7	**50**	35
Imputed interest accelerated amortisation on an early settlement of shareholder's loan	7	**583**	–
Depreciation	11	**942**	1,989
Amortisation of intangible assets	12	**23**	11
		7,162	11,178
Increase in trade receivables		**(45,843)**	(9,786)
Decrease/(increase) in inventories		**21,855**	(19,088)
Decrease in prepayments, deposits and other receivables		**570**	3,610
Increase in trade payables		**8,965**	12,378
Increase/(decrease) in other payables and accruals		**1,200**	(1,866)
Decrease/(increase) in an amount due from a related party		**10**	(10)
Cash used in operations		**(6,081)**	(3,584)
Interest received		**2**	1
Income tax paid		**(2,865)**	(1,184)
Net cash flows used in operating activities		**(8,944)**	(4,767)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 USD'000	2015 USD'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,993**	1,303
Dividend received from unlisted investments		**–**	1,800
Purchase of items of property, plant and equipment		**(155)**	–
Proceeds from disposal of items of property, plant and equipment		**5,920**	352
Receipt of payment in advance previously made in respect of the acquisition of a company		**–**	10,000
Increase in pledged deposits		**(5,742)**	(323)
Advances of loans to third parties		**(15,000)**	(43,300)
Collection of loans previously advanced to third parties		**16,500**	33,300
Purchase of available-for-sale investments		**–**	(6,800)
Net cash flows from/(used in) investing activities		**4,516**	(3,668)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans from the ultimate holding company		**50,000**	15,000
Repayment of a loan from the ultimate holding company		**(15,000)**	–
Capital element of hire purchase arrangement payments		**(87)**	(477)
New bank loans		**185,142**	82,230
Repayment of bank loans		**(186,869)**	(70,517)
Proceeds from issue of senior notes	22	**21,270**	–
Senior notes issue expenses	22	**(1,270)**	–
Interest paid		**(1,874)**	(416)
Net cash flows from financing activities		**51,312**	25,820
NET INCREASE IN CASH AND CASH EQUIVALENTS		**46,884**	17,385
Cash and cash equivalents at beginning of year		**27,664**	10,430
Effect of foreign exchange rate changes, net		**374**	(151)
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	**74,922**	27,664

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION

CAA Resources Limited was incorporated as an exempted company with limited liability in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Suite 5602, 56th Floor, The Center, 99 Queen's Road Central, Hong Kong.

During the year ended 31 December 2016, the Group was principally engaged in the business of mining, ore processing, sales of iron ore products and other commodities to steel manufacturers and/or their respective purchase agents in Mainland China and other commodity trading companies, as well as investment holding.

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

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Directly held:				
Capture Advantage	BVI	USD50,000	100	Investment holding
Indirectly held:				
Best Sparkle Development Ltd.	BVI	USD50,000	100	Investment holding
Value Source Ventures Limited	BVI	–	100	Investment holding
Capture Advance	Malaysia	Ringgit Malaysia ("RM") 15,000,000	100	Iron ore mining and iron ore beneficiation
Pacific Mining	Malaysia	RM100	100	Iron ore mining and iron ore beneficiation
Capture Bukit Besi	Malaysia	RM2	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Indirectly held (continued):				
China Bright Industries Limited ("China Bright HK")	Hong Kong	Hong Kong dollar ("HKD")100	100	Purchase and sale of iron ore products and trading of commodities
3W Development Limited	Hong Kong	HKD10,000	100	Investment holding
Keen Wise Asia Investment Limited	Hong Kong	HKD1	100	Investment holding
Shenzhen Shihua Information Technology Limited	Mainland China	Renminbi ("RMB") 5,000,000	100	Investment holding
China Bright Pte. Limited	Singapore	Singapore dollar ("SGD") 1	100	Trading of iron ore and other commodities

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the IASB and IASs and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale equity investments, which have been measured at fair value. These financial statements are presented in United States dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of IFRSs

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.

2.3 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 these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendment to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 12[1]
Annual Improvements 2014–2016 Cycle	Amendments to IFRS 1[2]
Annual Improvements 2014–2016 Cycle	Amendments to IAS 28[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing its impact upon adoption.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (continued)

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing its impact upon adoption.

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred 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 to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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 of 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 recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of (a) the consideration transferred, (b) the amount recognised for non-controlling interests; and (c) any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

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. The Group performs its annual impairment test of goodwill as at 31 December. 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, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) 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 disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group's available-for-sale investments are measured at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, 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 which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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);

(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); and

(viii) the entity, or any member of a group which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Mine properties	10 years
Machinery	3–10 years
Motor vehicles	3 years
Others	3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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, 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 over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the Units of Production ("UOP") method. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, 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. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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 market place.

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 "Other Income" and gains 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 financial investments

Available-for-sale financial 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 as 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 financial 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 gains or losses. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) 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 risks 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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 whether impairment exists individually 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.

The amount of any impairment loss identified 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). 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 amount. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial 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. "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.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, senior notes, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings (including senior notes)

After initial recognition, interest-bearing bank and other 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 integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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 finished goods, comprises direct materials, direct labour and an appropriate proportion of fixed and variable overhead costs, including depreciation and amortisation incurred in converting materials into finished goods, based on the normal production capacity. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that 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.

Provisions for the Group's obligations for rehabilitation are based on estimates of required expenditure at the mines in accordance with the rules and regulations of Malaysia. The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. The Group estimates its liabilities for final rehabilitation and mine closure based upon detailed calculations of the amount and timing of the future cash expenditure to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining infrastructure.

Over time, the discounted liability is increased for the change in the present value based on the appropriate discount rate. The periodic unwinding of the discount is recognised within "Finance costs" in profit or loss. The asset is depreciated using the straight-line method over its expected life and the liability is accreted to the projected expenditure date. Additional disturbances or changes in estimates (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities) will be recognised as additions or charges to the corresponding assets and rehabilitation liabilities when they occur at the appropriate discount rate.

Income tax

Income tax comprises current and deferred 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, 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 tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or 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

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition 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

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period 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 if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

Pension schemes

Mainland China

The employees in Mainland China are required to participate in a central defined pension scheme managed by the local municipal government of the areas in Mainland China in which they operate. These subsidiaries are required to contribute a certain percentage of the relevant part of the payroll of their employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Hong Kong

The Group participates in a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contribution vests fully with the employees when contribution into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension schemes (continued)

Malaysia

The Group 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in USD, which is the Company's functional 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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the 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).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain subsidiaries are currencies other than USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into USD at the exchange rates prevailing at the end of the reporting period and their profits or losses 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these significant assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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:

(a) 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 unit 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 unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was USD6,172,000 (2015: USD6,427,000). There was no impairment provision for goodwill during the two years ended 31 December 2016 and 2015. Further details are given in note 15.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(b) *Impairment of receivables*

Impairment of receivables is estimated based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount under the invoice is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in the future is different from the original estimates, such differences will affect the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed. There was no impairment provision for receivables during the two years ended 31 December 2016 and 2015.

(c) *Useful lives of property, plant and equipment*

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and actions of its competitors. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will record an impairment provision for technically obsolete assets that have been abandoned. The carrying amount of property, plant and equipment as at 31 December 2016 was USD4,816,000 (2015: USD5,936,000).

(d) *Mine reserves*

Engineering estimates of the Group's mine reserves are inherently imprecise and represent only approximate amounts because of the significant judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mine reserves can be designated as "proved" and "probable". Proved and probable mine reserve estimates are updated at regular intervals taking into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable mine reserves also changes. This change is considered a change in estimates for accounting purposes and is reflected on a prospective basis in both depreciation and amortisation rates calculated on the UOP method and the time period for discounting the rehabilitation provision. Changes in the estimate of mine reserves are also taken into account in impairment assessments of non-current assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(e) Fair value of available-for-sale investments

Certain unlisted equity investments have been valued based on the market approach of valuation. This valuation approach requires the Group to consider prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the investments relative to the market comparative if necessary and appropriate, hence they are subject to uncertainty. The fair value of the unlisted equity investments at 31 December 2016 which was measured based on the market approach was USD10,884,000. Further details are included in note 14 to the financial statements.

(f) Provision for rehabilitation

The Group recognises the provision 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 provision. 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 statement 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. The carrying amount of provision for rehabilitation as at 31 December 2016 was USD353,000 (2015: USD327,000).

(g) Income tax

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.

(h) Deferred tax assets

Deferred tax assets are recognised when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets at 31 December 2016 was USD232,000 (2015: USD242,000). Further details are contained in note 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainty (continued)

(i) Impairment of non-current assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Definite life non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) the mine operation segment comprises mining and ore processing and the sale of ore products to iron ore trading companies in Malaysia;

(b) the commercial trade segment comprises purchases and sales of iron ore products and other commodities and then sales to steel manufacturers and/or their respective purchasing agents in Mainland China and other commodity trading companies; and

(c) the financing operation segment comprises the investments in unlisted enterprises principally engaging in financing related businesses, and the provision of loans to third parties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income on bank deposits, foreign currency losses as well as head office, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (continued)

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2016

	Mine operation USD'000	Commercial trade USD'000	Financing operation USD'000	Total USD'000
SEGMENT REVENUE	**1,342**	**1,239,332**	**–**	**1,240,674**
SEGMENT RESULTS	**489**	**7,588**	**2,355**	**10,432**
Reconciliation:				
Interest income on bank deposit				**2**
Foreign currency losses, net				**(1,129)**
Corporate and other unallocated expenses				**(3,717)**
Profit before tax				**5,588**
SEGMENT ASSETS	**30,519**	**104,317**	**32,384**	**167,220**
Reconciliation:				
Cash and cash equivalents				**74,922**
Deferred tax assets				**232**
Corporate and other unallocated assets				**1,451**
Total assets				**243,825**
SEGMENT LIABILITIES	**1,638**	**128,946**	**–**	**130,584**
Reconciliation:				
Tax payable				**5,802**
Deferred tax liabilities				**4,193**
Corporate and other unallocated liabilities				**695**
Total liabilities				**141,274**
OTHER SEGMENT INFORMATION				
Interest income	**785**	**–**	**2,943**	**3,728**
Finance costs	**46**	**2,790**	**–**	**2,836**
Depreciation and amortisation	**807**	**–**	**–**	**807**

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Mine operation USD'000	Commercial trade USD'000	Financing operation USD'000	Total USD'000
SEGMENT REVENUE	2,497	547,671	–	550,168
SEGMENT RESULTS	(3,930)	13,035	2,528	11,633
Reconciliation:				
Interest income on bank deposit				18
Foreign currency losses, net				(5,463)
Corporate and other unallocated expenses				(3,459)
Profit before tax				2,729
SEGMENT ASSETS	41,024	73,070	28,050	142,144
Reconciliation:				
Cash and cash equivalents				27,664
Deferred tax assets				242
Corporate and other unallocated assets				573
Total assets				170,623
SEGMENT LIABILITIES	1,555	50,423	13,887	65,865
Reconciliation:				
Tax payable				7,294
Deferred tax liabilities				2,968
Corporate and other unallocated liabilities				525
Total liabilities				76,652
OTHER SEGMENT INFORMATION				
Interest income	–	–	1,353	1,353
Finance costs	43	294	18	355
Depreciation and amortisation	1,857	–	–	1,857

NOTES TO FINANCIAL STATEMENTS

31 December 2016

4. OPERATING SEGMENT INFORMATION (continued)

Entity-wide disclosures

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year. The geographical locations of customers are determined based on the locations designated by the customers at which the goods were delivered or services were rendered.

	2016 **USD'000**	2015 USD'000
Domestic – Malaysia	**1,342**	2,497
Overseas – The People's Republic of China ("PRC")	**1,239,332**	547,671
	1,240,674	550,168

At the end of the reporting period, except for certain motor vehicles and office furniture located in Hong Kong and Mainland China with the respective net carrying amounts of USD57,000 (2015: USD73,000) and USD404,000 (2015: USD367,000), all of the Group's non-current assets excluding financial instruments were located in Malaysia, place of domicile of the Group's principal subsidiary, Capture Advance.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2016 **USD'000**	2015 USD'000
Customer A	**445,381**	134,190
Customer B	**254,454**	203,677
Customer C	**182,448**	*
Customer D	*	139,560

* Less than 10%

NOTES TO FINANCIAL STATEMENTS

31 December 2016

5. REVENUE

Revenue represents the net invoiced value of goods sold. An analysis of revenue from sales of goods is as follows:

	2016	2015
	USD'000	USD'000
Iron ore products	**1,073,941**	483,494
Copper cathodes	**108,257**	40,047
Nickel cathodes	**48,370**	26,627
Pig iron	**7,200**	–
Poly carbonate	**2,906**	–
	1,240,674	550,168

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	USD'000	USD'000
Interest on bank loans	**1,330**	293
Interest on senior notes	**929**	–
Notional interest on a loan from the ultimate holding company	**530**	18
Interest on hire purchase arrangements	**21**	20
Unwinding of discount on provision (note 24)	**26**	24
	2,836	355

NOTES TO FINANCIAL STATEMENTS

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7. PROFIT BEFORE TAX

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

	Notes	**2016 USD'000**	2015 USD'000
Cost of inventories sold		**1,226,963**	535,266
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,464**	1,215
Pension scheme contributions			
— Defined contribution schemes		**39**	25
Welfare and other benefits		**139**	67
Total employee benefit expense		**1,642**	1,307
Depreciation	11	**942**	1,989
Amortisation of intangible assets	12	**23**	11
Depreciation and amortisation expenses		**965**	2,000
Minimum lease payments in respect of:			
Motor vehicles		**128**	81
Office		**235**	226
Auditor's remuneration		**350**	315
Dividend income from available-for-sale Investments*		**–**	(1,200)
Interest income*		**(3,730)**	(1,371)
Write-off of payment in advance**		**50**	35
Loss on disposal of items of property, plant and equipment**		**73**	3,309
Foreign currency losses, net**		**1,129**	5,463
Imputed interest accelerated amortisation on an early settlement of a loan from the ultimate holding company**		**583**	–
Tax surcharges**		**290**	120

* These are included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

** These are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016	2015
	USD'000	USD'000
Fees	**108**	104
Other emoluments:		
Salaries, allowances and benefits in kind	**309**	250
Pension scheme contributions		
– Defined contribution fund	**10**	6
	319	256
	427	360

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016	2015
	USD'000	USD'000
Mr. Kong Chi Mo	**29**	29
Dr. Li Zhongquan	**13**	13
Dr. Wang Ling	**13**	13
	55	55

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Executive directors and the chief executive

	Fees USD'000	Salaries, allowances and benefits in kinds USD'000	Pension scheme contributions USD'000	Total USD'000
2016				
Mr. Li Yang(i)	**14**	**117**	**2**	**133**
Mr. Dong Jie(ii)	**7**	**7**	**–**	**14**
Ms. Xu Mijia(ii)	**4**	**55**	**2**	**61**
Mr. Wang Er	**14**	**39**	**2**	**55**
Ms. Li Xiaolan	**14**	**91**	**4**	**109**
	53	**309**	**10**	**372**

	Fees USD'000	Salaries, allowances and benefits in kinds USD'000	Pension scheme contributions USD'000	Total USD'000
2015				
Mr. Li Yang(i)	13	118	2	133
Mr. Dong Jie	10	–	–	10
Mr. Wang Er	13	40	2	55
Ms. Li Xiaolan	13	92	2	107
	49	250	6	305

(i) Mr. Li Yang who acts as an executive director of the Company is also the chief executive officer of the Company.

(ii) Mr. Dong Jie has resigned as an executive director and Ms. Xu Mijia has been appointed as an executive director of the Company on 12 September 2016.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2015: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(c) Five highest paid employees

The five highest paid employees during the year included three (2015: three) directors (including the chief executive officer who is also an executive director of the Company), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2015: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	USD'000	USD'000
Salaries, allowances and benefits in kind	**258**	142
Pension scheme contributions	**4**	4
	262	146

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HKD1,000,000	**1**	2
HKD1,000,001 to HKD1,500,000	**1**	–
	2	2

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group was not subject to any income tax in the Cayman Islands and BVI.

No provision for Singapore and PRC corporate income tax has been provided as the Company's subsidiaries located in Singapore and Mainland China had no assessable profits derived or earned in the Mainland China and Singapore during the year.

Pursuant to the income tax rules and regulations in Malaysia, the subsidiaries located in Malaysia are liable to Malaysia corporate income tax at a rate of 24% (2015: 25%) on the assessable profits generated during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the assessable profits arising in Hong Kong during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

9. INCOME TAX (continued)

The major components of income tax expense are as follows:

	2016 USD'000	2015 USD'000
Current – Hong Kong		
Charge for the year	**1,373**	2,104
Deferred (note 23)	**(130)**	8
Total tax charge for the year	**1,243**	2,112

A reconciliation of income tax expense applicable to profit before taxation at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2016 USD'000	2015 USD'000
Profit before tax	**5,588**	2,729
Tax at Hong Kong statutory tax rate of 16.5%	**1,085**	2,290
Tax at Malaysia statutory tax rate of 24% (2015: 25%)	**(236)**	(2,787)
Benefit of tax losses not recognised (note 23)	**126**	1,960
Income not subject to tax	**(262)**	(324)
Expenses not deductible for tax	**661**	963
Effect of change in tax rate	**(122)**	–
Others	**(9)**	10
Tax charge at the Group's effective tax rate	**1,243**	2,112

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,500,000,000 (2015: 1,500,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

NOTES TO FINANCIAL STATEMENTS

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11. PROPERTY, PLANT AND EQUIPMENT

	Mine properties USD'000	Machinery USD'000	Motor vehicles USD'000	Others USD'000	Construction in progress ("CIP") USD'000	Total USD'000
31 December 2016						
Cost:						
At 1 January 2016	**2,118**	**5,605**	**793**	**497**	**–**	**9,013**
Additions	**–**	**–**	**142**	**13**	**–**	**155**
Disposals	**–**	**(222)**	**(23)**	**–**	**–**	**(245)**
Exchange realignment	**(92)**	**(270)**	**(16)**	**(16)**	**–**	**(394)**
At 31 December 2016	**2,026**	**5,113**	**896**	**494**	**–**	**8,529**
Accumulated depreciation:						
At 1 January 2016	**523**	**2,162**	**283**	**109**	**–**	**3,077**
Provided for the year	**245**	**505**	**145**	**47**	**–**	**942**
Disposals	**–**	**(72)**	**(19)**	**–**	**–**	**(91)**
Exchange realignment	**(40)**	**(155)**	**(16)**	**(4)**	**–**	**(215)**
At 31 December 2016	**728**	**2,440**	**393**	**152**	**–**	**3,713**
Net carrying amount:						
At 1 January 2016	**1,595**	**3,443**	**510**	**388**	**–**	**5,936**
At 31 December 2016	**1,298**	**2,673**	**503**	**342**	**–**	**4,816**
31 December 2015						
Cost:						
At 1 January 2015	2,784	16,743	1,078	580	10,099	31,284
Disposals	(145)	(7,921)	(182)	–	(8,225)	(16,473)
Exchange realignment	(521)	(3,217)	(103)	(83)	(1,874)	(5,798)
At 31 December 2015	2,118	5,605	793	497	–	9,013
Accumulated depreciation:						
At 1 January 2015	373	3,210	295	71	–	3,949
Provided for the year	281	1,474	186	48	–	1,989
Disposals	(43)	(1,841)	(123)	–	–	(2,007)
Exchange realignment	(88)	(681)	(75)	(10)	–	(854)
At 31 December 2015	523	2,162	283	109	–	3,077
Net carrying amount:						
At 1 January 2015	2,411	13,533	783	509	10,099	27,335
At 31 December 2015	1,595	3,443	510	388	–	5,936

NOTES TO FINANCIAL STATEMENTS

31 December 2016

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) Motor vehicles and machinery with an aggregate net carrying amount of USD6,000 (2015: USD102,000) were held under hire purchase arrangements entered into by the Group (note 21) at 31 December 2016.

(b) A motor vehicle with a net carrying amount of USD269,000 (2015: USD367,000) was held under custody of Chengdu Hande Investment Management Co., Ltd. ("Chengdu Hande") as at 31 December 2016. The largest shareholder of Chengdu Hande is the father of Mr. Li Yang, the controlling shareholder of the Group.

(c) As at 31 December 2016, the gross carrying amount of fully depreciated assets that were still in use totalled USD1,386,000 (2015: USD962,000).

12. MINING RIGHTS AND RESERVES

	2016	2015
	USD'000	USD'000
Cost:		
At 1 January	**12,471**	15,146
Exchange realignment	**(503)**	(2,675)
At 31 December	**11,968**	12,471
Accumulated amortisation:		
At 1 January	**163**	152
Provided for the year	**23**	11
At 31 December	**186**	163
Net carrying amount:		
At 1 January	**12,308**	14,994
At 31 December	**11,782**	12,308

NOTES TO FINANCIAL STATEMENTS

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13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2016** **USD'000**	2015 USD'000
Current portion:			
Prepayments in respect of:			
– mining and processing costs to a subcontractor		**–**	292
– Purchase of iron ore		**1,662**	–
Other receivables in respect of:			
– disposal of property, plant and equipment	(a)	**5,456**	5,700
– termination of acquisition of a 60% equity interest in a company	(b)	**2,300**	5,100
– interest-bearing loan to a company	(c)	**8,500**	–
– due from a related party		**–**	10
Other prepayments and receivables		**1,137**	377
		19,055	11,479
Non-current portion:			
Other receivables in respect of:			
– interest-bearing loan to a company	(c)	**–**	10,000
– disposal of property, plant and equipment	(a)	**–**	5,335
		–	15,335
		19,055	26,814

NOTES TO FINANCIAL STATEMENTS

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13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Notes:

(a) In December 2015, the Group disposed of some of its machinery in Malaysia ("Disposed Machinery") for an aggregate consideration of RM52,300,000 equivalent to approximately USD12,181,000 as at 31 December 2015. The aggregate consideration will be settled by two equal instalments before the end of 31 December 2016 and 31 December 2017, respectively. This receivable is non-interest-bearing and is secured by the pledge of the Disposed Machinery.

As the receivable will be collected by two instalments, the Group calculated the discounted value of the receivables using an imputed rate of interest of 6.85% per annum, analysed into:

	2016	2015
	USD'000	USD'000
Receivable to be collected:		
Within one year	**5,456**	5,700
In the second year	**–**	5,335
	5,456	11,035

(b) The balance represented the prepayment of USD2,300,000 to two independent third parties in relation to the proposed acquisition of a 60% equity interest in Red Sun Resources Sdn. Bhd. ("Red Sun"), which was due to be fully collected before 31 December 2016 due to the termination of the proposed acquisition (2015: USD5,100,000). As at 31 December 2016, the receivable of USD2,300,000 is past due. The Directors are of the opinion that no provision for impairment is necessary in respect of this overdue balance as the balance is guaranteed by Red Sun. Red Sun has undertaken to provide a certain quantity of iron ore products at the average market price prevailing with an aggregate value based on market prices equivalent to the receivable balance in full settlement thereof.

(c) The balance represents a loan with a principal of USD8,500,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2015: USD10,000,000), the details of which are set out in the announcement dated 24 December 2015.

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

NOTES TO FINANCIAL STATEMENTS

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14. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	USD'000	USD'000
Unlisted equity investments, at fair value	**23,884**	18,000

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to USD5,884,000 (2015: Nil).

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity dates or coupon rates. The Group does not intend to dispose of the investments in the near future.

15. GOODWILL

	USD'000
Cost and net carrying amount at 1 January 2015	7,779
Exchange realignment	(1,352)
Cost and net carrying amount at 31 December 2015 and 1 January 2016	6,427
Exchange realignment	(255)
Cost and net carrying amount at 31 December 2016	6,172

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the iron ore cash-generating unit, i.e., Ibam Mine cash-generating unit for impairment testing.

The recoverable amount of Ibam Mine cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 19.84% (2015: 20%). The growth rate used to extrapolate the cash flows of the iron ore cash-generating unit beyond the five-year period is 0% (2015: 0%) and the inflation rate is 3% (2015: 3%).

Assumptions were used in the value in use calculation of the iron ore cash-generating unit for 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Production and sales volumes – production and sales volumes are expected to increase from approximately 0.04 million tonnes in 2016 to approximately 1.28 million tonnes in 2018 as production is expanded up to its designed capacity. During the year, production at Ibam Mine has been suspended periodically, but is expected to resume from 2017. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mine agreed by management as part of the long-term planning process. Sales volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; and the selling price of the iron ore. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves and resource estimates. These are then assessed to ensure they are consistent with what a market participant would estimate.

Iron ore prices – Future iron ore prices in the valuation model are estimated by management based on their industry experience, historic price trends and independent expert reports and commentaries.

Budgeted gross margins – Based on the average production costs achieved in the recent years, adjusted for management's expectations for possible change in the production costs and estimated market prices.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

16. INVENTORIES

	2016	2015
	USD'000	USD'000
Raw materials	–	160
Finished goods	–	21,695
	–	21,855

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17. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2016	2015
	USD'000	USD'000
Within 3 months	**91,612**	46,075
3 to 6 months	**306**	–
	91,918	46,075

The Group normally accepts settlement by way of irrevocable letter of credit or telegraphic transfer. The Group may sometimes request customers, including its trading customers, to pay in advance upon signing sales contracts with the Group. During the year, the Group granted credit periods of three to four months to its major customers. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2016	2015
	USD'000	USD'000
Neither past due nor impaired	**91,612**	46,075
Less than 1 months past due	**306**	–
	91,918	46,075

Receivables that were past due but not impaired relate to an independent customer that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of this past due balance as the receivable was collected subsequently.

Trade receivables of USD30,149,000 (2015: USD17,703,000) were pledged to banks to secure bank loans (note 21(a)).

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18. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2016 USD'000	2015 USD'000
Cash and bank balances	**85,966**	32,966
Less: pledged deposits*	**(11,044)**	(5,302)
Cash and cash equivalents	**74,922**	27,664

* As at the end of the reporting period, (i) bank deposits of USD5,790,000 (2015: USD2,042,000) were pledged to secure short-term bank loans granted to the Group (note 21(a)); and (ii) bank deposits of USD5,254,000 (2015: USD3,260,000) were pledged for the issuance of irrevocable letter of credit to the Group's suppliers.

The Group's cash and bank balances at the end of each reporting period can be further analysed as follows:

	2016 USD'000	2015 USD'000
Cash and bank balances denominated in:		
HKD	**9,188**	9,460
USD	**76,762**	23,504
Other currencies – RM and RMB	**16**	2
	85,966	32,966

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 USD'000	2015 USD'000
Within 3 months	**24,192**	15,044
6 months to 12 months	**2**	–
Over 1 year	**74**	259
	24,268	15,303

Trade payables are non-interest-bearing and are normally settled within 2 to 3 months.

NOTES TO FINANCIAL STATEMENTS

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20. OTHER PAYABLES AND ACCRUALS

	2016 **USD'000**	2015 USD'000
Current portion:		
Due to the ultimate holding company (note 31(c))	**50,000**	–
Other payables	**1,283**	807
Accruals	**743**	500
Advances received from customers	**676**	–
Payroll and welfare payable	**5**	7
	52,707	1,314
Non-current portion:		
Due to the ultimate holding company (note 31(c))	**–**	13,887
	52,707	15,201

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

NOTES TO FINANCIAL STATEMENTS

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21. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2016			2015		
	Notes	**Effective interest rate (%)**	**Maturity**	**USD'000**	Effective interest rate (%)	Maturity	USD'000
Current							
Bank loans – secured	(a)	**3.02–3.18**	**2017**	**30,137**	2.65–2.85	2016	13,611
Bank loans – unsecured	(d)	**1.70**	**2017**	**3,522**	1.30–1.40	2016	21,775
Hire purchase arrangements – secured	(b)	**2.36–2.54**	**2017**	**25**	2.36–6.90	2016	66
Hire purchase arrangements – unsecured	(c)	**–**	**2017**	**31**	–	2016	33
				33,715			35,485
Non-current							
Hire purchase arrangements – secured	(b)	**2.36–2.47**	**2018–2020**	**23**	2.36–2.47	2017–2020	60
Hire purchase arrangements – unsecured	(c)	**–**	**–**	**–**		2017	14
				23			74
				33,738			35,559

NOTES TO FINANCIAL STATEMENTS

31 December 2016

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

Analysed into:

	2016 **USD'000**	2015 USD'000
Bank loans repayable:		
Within one year	**33,659**	35,386
Hire purchase arrangements repayable:		
Within one year	**56**	99
In the second year	**17**	44
In the third to fifth years, inclusive	**6**	30
	79	173
	33,738	35,559

Notes:

(a) As at 31 December 2016, the bank loans of China Bright HK, an indirect wholly-owned subsidiary of the Company, were secured by the pledged bank balances of USD5,790,000 (2015: USD2,042,000) (note 18) and by certain trade receivables of USD30,149,000 (2015: USD17,703,000) (note 17), and were guaranteed by the Company at nil consideration.

(b) The Group acquired certain of its motor vehicles and machinery through hire purchase arrangements, which are classified as finance leases and have remaining lease terms ranging from one to four years. As at 31 December 2016, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles and machinery acquired with an aggregate carrying amount of USD6,000 (2015: USD102,000) (note 11).

(c) During the year ended 31 December 2015, the Group disposed of certain of its machinery through hire purchase arrangements with remaining lease terms ranging from one to two years. As at 31 December 2016 and 2015, the remaining payables relating to the hire purchase arrangements were unsecured, interest-free and to be paid according to the payment schedules stated in the supplementary contracts of the hire purchase arrangements.

(d) As at 31 December 2016, the balance representing interest-bearing bank loans of USD3,522,000 of China Bright HK, an indirect wholly-owned subsidiary of the Company, were guaranteed by the Company at nil consideration.

As at 31 December 2015, the balance representing (i) interest-bearing bank loans of USD6,842,000 of China Bright HK which were guaranteed by the Company at nil consideration; and (ii) interest-bearing bank loans of USD14,933,000 of China Bright HK which were unsecured.

(e) Except for the hire purchase arrangements which were denominated in RM and the issued notes denominated in HKD, all borrowings were denominated in USD.

NOTES TO FINANCIAL STATEMENTS

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

At 31 December 2016, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

	Minimum lease payments 2016 USD'000	Minimum lease payments 2015 USD'000	**Present value of minimum lease payments 2016 USD'000**	Present value of minimum lease payments 2015 USD'000
Amounts payable:				
Within one year	**27**	70	**25**	66
In the second year	**17**	32	**17**	30
In the third to fifth years, inclusive	**6**	31	**6**	30
Total minimum hire purchase payments	**50**	133	**48**	126
Future finance charges	**(2)**	(7)		
Total net hire purchase payables	**48**	126		
Portion classified as current liabilities	**(25)**	(66)		
Non-current portion	**23**	60		

22. SENIOR NOTES

On 20 September 2016, the Company ("Issuer") entered into a subscription agreement ("Subscription Agreement") with an independent third party institution (the "Subscriber") pursuant to which the Company issued the 12% senior notes ("Senior Notes") in the principal amount of HKD164,865,750 (approximately to USD21,270,000) with a final redemption date falling 18 months after the date of issue. The net proceeds amounted to approximately USD20,000,000 as at the issue date. The interest should be payable quarterly.

NOTES TO FINANCIAL STATEMENTS

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22. SENIOR NOTES

The major terms and conditions of the Senior Notes are as follows:

(a) The event of defaults under the Senior Notes include, among other things:

(i) the Issuer or a wholly-owned subsidiary(ies) of the Issuer does not remain the direct or indirect beneficial owner of not less than 100% of the issued share capital of (a) China Bright HK; and (b) Pacific Mining, free and clear of any lien, charge, encumbrance, security interest, restriction on voting or transfer or any other claim of any third party;

(ii) the ratio of the total liabilities of the Issuer to the total assets of the Issuer exceeds a specified ratio;

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

(iv) trading in the Company's shares on the HKSE is suspended for more than five (5) consecutive trading days or twenty (20) trading days in any period of twelve (12) months or the closing price per share of the Company shall be less than a specified price during five (5) consecutive trading days.

Upon and at any time after the occurrence of the event of defaults, the Subscriber may give notice to the Company that one or more of the Senior Notes shall become immediately due and repayable with all accrued interest.

(b) Redemption option

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

(c) Guarantees

The Senior Notes were guaranteed by Cosmo Field, Capture Advantage, Mr. Li Yang and Mr. Li Dongming, who is the father of Mr. Li Yang (note 31(d)).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

22. SENIOR NOTES (continued)

The Senior Notes recognised in the consolidated statement of financial position are calculated as follows:

	USD'000
Nominal value of Senior Notes	21,270
Issue costs	(1,270)
Fair value at date of issuance	20,000
Effective interest recognised for the year (note 6)	929
Interest paid or payable	(716)
Carrying amount at 31 December 2016	20,213

23. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Fair value adjustments arising from acquisition of subsidiaries USD'000	**Tax losses and unabsorbed capital allowances** USD'000	**Total** USD'000
At 1 January 2015	15	282	297
Exchange differences	(3)	(52)	(55)
At 31 December 2015 and 1 January 2016	12	230	242
Exchange differences	(1)	(9)	(10)
At 31 December 2016	11	221	232

The Group has tax losses arising in Malaysia of USD10,170,000 (2015: USD9,653,000) (note 9) and in Singapore of USD12,000 (2015: Nil) that are available indefinitely for offsetting against future taxable profits of the subsidiaries in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

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23. DEFERRED TAX (continued)

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries USD'000	Depreciation allowance in excess of related depreciation USD'000	Fair value revaluation of available-for-sale investments USD'000	Total USD'000
At 1 January 2015	3,579	50	–	3,629
Deferred tax charged to profit or loss during the year (note 9)	3	5	–	8
Exchange differences	(669)	–	–	(669)
At 31 December 2015 and 1 January 2016	2,913	55	–	2,968
Deferred tax credited to profit or loss during the year (note 9)	(122)	(8)	–	(130)
Deferred tax charged to reserves during the year	–	–	1,471	1,471
Exchange differences	(116)	–	–	(116)
At 31 December 2016	2,675	47	1,471	4,193

24. PROVISION FOR REHABILITATION

	2016 USD'000	2015 USD'000
At the beginning of year	**327**	303
Unwinding of discount (note 6)	**26**	24
At the end of year	**353**	327

The provision is related to mine site rehabilitation, and is based on the best estimate for future expenditure to be made by the Group, discounted to its net present value at a rate of 6.4% (2015: 6.4%). The discount rate adopted reflects the current market assessments of the time value of money and the risks specific to the provision. Subsequently, the provision for rehabilitation will increase each year by the accretion of interest due to the passage of time which is recognised as interest expense.

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25. SHARE CAPITAL

Shares

	2016 USD'000	2015 USD'000
Authorised:		
3,000,000,000 (2015: 3,000,000,000) ordinary shares of HK$0.01 each	**3,867**	3,867
Issued and fully paid:		
1,500,000,000 (2015: 1,500,000,000) ordinary shares of HK$0.01 each	**1,934**	1,934

26. RESERVES

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

(a) Share premium

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

(b) Capital reserve

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

(c) Contributed surplus

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

NOTES TO FINANCIAL STATEMENTS

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27. DIVIDENDS

At a meeting of the directors held on 24 March 2017, the directors did not recommend a final dividend for the year ended 31 December 2016 (2015 final dividend: Nil).

28. CONTINGENT LIABILITIES

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

29. OPERATING LEASE ARRANGEMENTS – THE GROUP AS LESSEE

The Group leases certain of its office under operating lease arrangements, with leases negotiated for terms ranging from two to five years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 **USD'000**	2015 USD'000
Within one year	**308**	180
In the second to fifth years, inclusive	**418**	184
	726	364

30. OTHER COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following commitments at the end of the reporting period:

(a) Mining fee

The Group has agreed to pay Gema Impak Sdn. Bhd. ("Gema Impak") a mining fee of RM40 per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance.

(b) Service fee

Pursuant to the mining sub-contract in relation to Ibam Mine entered into between the Group and the mining contractor, a third party, which has been renewed on 26 December 2016 and continues to be effective until the expiry of the mining lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the mining sub-contract, the mining contractor shall mine and produce iron ore products at Ibam Mine using the machinery or equipment provided by the Group. If the production volume is less than 30 thousand tonnes, the service fee for the mining contractor is RM60 per tonne of iron ore produced, if the production volume exceeds 30 thousand tonnes per month, the service fee should be re-negotiated and agreed between the Group and the mining contractor.

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30. OTHER COMMITMENTS (continued)

(c) 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 took effect from 20 March 2013, according to which Pacific Mining became the nominee holder of the 50% shareholding interest in Gema Impak and was 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.

During 2014, the Original Shareholders disposed of the interests in Gema Impak to Impian Sri Bintang Sdn. Bhd. (the "Transferee"), an independent third party of the Company. On 7 November 2014, the Company entered into a deed of adherence with the Original Shareholders and the Transferee, the principal terms of which are as follows: (i) upon completion of the disposal, Pacific Mining shall remain as the registered legal owner of the 50% shareholding interest in Gema Impak and was 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 Transferee in exercising the voting rights; and (ii) upon completion of the disposal, the Transferee 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 the governmental authority, which are related to Ibam Mine.

Pacific Mining made a monthly payment of RM50,000 (the "Monthly Payment") to the Transferee since then until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the mining agreement entered into between Pacific Mining and Gema Impak dated 26 October 2009 or any extension thereof. The amount of the Monthly Payment shall not be revised without consent from each of the Transferee and Pacific Mining.

On 26 December 2016, Pacific Mining and the Transferee entered into a supplementary confirmation letter, pursuant to which they agreed that Pacific Mining ceased to make the monthly payment of RM50,000 to the Transferee. Other than the cessation of the monthly payment, other terms and conditions remained unchanged.

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31. RELATED PARTY TRANSACTIONS AND BALANCES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2016 **USD'000**	2015 USD'000
Interest-free loans from the ultimate holding company	**50,000**	15,000
Repayment of a loan to the ultimate holding company	**(15,000)**	–

The above loans from the shareholder were unsecured and interest free. See note 31(c) below for details.

(b) Compensation of key management personnel of the Group:

	2016 **USD'000**	2015 USD'000
Short term employee benefits	**745**	580
Total compensation paid to key management personnel	**745**	580

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(c) Outstanding balances with related parties:

As at 31 December 2016, the Group had interest-free loans from the ultimate holding company, Cosmo Field of USD50,000,000 (note 20). Cosmo Field granted unsecured interest-free loans of USD40,000,000 and USD10,000,000 to the Group pursuant to the shareholder loan agreements entered into between the Group and Cosmo Field dated 27 September 2016 and 22 December 2016, respectively, which were due on demand for repayment before 26 September 2017.

As at 31 December 2015, the Group had an interest-free loan from the ultimate holding company, Cosmo Field of USD13,887,000 (note 20). Cosmo Field granted an unsecured interest-free loan of USD15,000,000 to the Group pursuant to the shareholder loan agreement entered into between the Group and Cosmo Field dated 3 July 2015 with original due date for repayment on 3 July 2017 which was early repaid by the Group during the year. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and the present value of USD1,131,000 is treated as equity contribution from the ultimate holding company and credited to the capital reserve account.

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(d) Senior Notes guaranteed by related parties:

The Senior Notes issued during the year ended 31 December 2016 were guaranteed by the following related parties for nil consideration: (i) Cosmo Field; (ii) Mr. Li Yang, who acts as the chairman and chief executive officer of the Company, as well as the controlling shareholder of the Company; and (iii) Mr. Li Dongming who is the father of Mr. Li Yang (note 21(c)).

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and cash equivalents, trade and other receivables, an interest-bearing loan to a company and available-for-sale investments which arise directly from its operations. Financial liabilities of the Group mainly include interest-bearing bank and other borrowings, an amount due to the ultimate holding company, trade payables and other payables.

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. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. In addition, for the sales of iron ore products and other commodities, a letter of credit is generally received to cover the payment risk.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, an amount due from a related party and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As disclosed in note 4, the Group sells all of the products to a small number of customers. As a result, it faces a high level of concentration of credit risk. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by analysis by customer/counterparty. In addition, the Group's exposure to credit risk is also influenced by the individual characteristics of each customer and default risk of the industry in which the customers operate. During the year, the Group generated its revenue mainly from the sales of iron ore products and other commodities to the steel and non-ferrous metal manufacturers and/or their respective purchase agents in China and other trading companies. In this regard, the Group is exposed to the concentration of credit risk in the steel and non-ferrous metal industry.

At 31 December 2016, the Group had a concentration of credit risk as 86.3% of the Group's trade receivables were due from the Group's top 5 customers.

The Group maintains strict control over its outstanding receivables and senior management regularly reviews the overdue balances.

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 hire purchase arrangements.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

	2016					
	On demand USD'000	Less than 3 months USD'000	3 to less than 12 months USD'000	1 to 5 years USD'000	Beyond 5 years USD'000	Total USD'000
Interest-bearing bank and other borrowings	31	33,837	20	24	–	33,912
Senior notes	–	638	1,949	21,895	–	24,482
Trade payables	76	24,192	–	–	–	24,268
Other payables	51,819	–	–	–	–	51,819
	51,926	58,667	1,969	21,919	–	134,481

	2015					
	On demand USD'000	Less than 3 months USD'000	3 to less than 12 months USD'000	1 to 5 years USD'000	Beyond 5 years USD'000	Total USD'000
Interest-bearing bank and other borrowings	49	35,422	38	77	–	35,586
Trade payables	263	15,040	–	–	–	15,303
Other payables	1,294	–	–	15,000	–	16,294
	1,606	50,462	38	15,077	–	67,183

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 reporting period to a reasonably possible change in the RM exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RM rate	Increase/ (decrease) in profit before tax
	%	USD'000
2016		
If the US dollar weakens against RM	**5**	**954**
If the US dollar strengthens against RM	**(5)**	**(954)**
2015		
If the US dollar weakens against RM	5	1,353
If the US dollar strengthens against RM	(5)	(1,353)

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

Assets and liabilities for which fair values are disclosed

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to the short term to maturity, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	USD'000	USD'000	**USD'000**	USD'000
Financial assets				
Other receivables in respect of:				
– interest-bearing loan to a third party	**8,500**	10,000	**8,500**	10,000
– disposal of property, plant and equipment	**5,456**	11,035	**5,456**	11,035
	13,956	21,035	**13,956**	21,035
Financial liabilities				
Other payables and accruals:				
– due to the ultimate holding company	**50,000**	13,887	**50,000**	13,887
Senior notes	**20,213**	–	**20,213**	–
	70,213	13,887	**70,213**	13,887

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, the current portion of financial assets included in prepayments, deposits and other receivables, trade payables, the current portion of financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values (continued)

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

The fair values of the non-current portion of other receivables, the amount due to the ultimate holding company and Senior Notes have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, adjusted by the Company's or the subsidiaries' own non-performance risk where appropriate. The fair value measurement hierarchy of the above non-current other receivables, the amount due to the ultimate holding company and Senior Notes requires significant observable inputs (Level 3).

Assets measured at fair value:

	Fair value measurement using		
	Significiant Observable Inputs (Level 2)	**Significant unobservable inputs (Level 3)**	**Total**
	USD'000	USD'000	USD'000
Unlisted available-for-sale equity investments			
– As at 31 December 2016	**13,000**	**10,884***	**23,884**
– As at 31 December 2015	13,000	–	13,000

* The unlisted equity investments have been valued based on the market approach of valuation which requires the Group to consider prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the investments relative to the market comparative if necessary and appropriate.

NOTES TO FINANCIAL STATEMENTS

31 December 2016

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group'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 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 capital during the year.

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings and loans from related parties. The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Group's policy is to keep the gearing ratio between 20% and 50% over the long term. Net debt is defined as interest-bearing bank loans and other loans and an amount due to the ultimate holding company, net of cash and bank balances and it excludes liabilities incurred for working capital purposes.

As at 31 December 2016, the gearing ratio was 14.9% (2015: 14.9%).

NOTES TO FINANCIAL STATEMENTS

31 December 2016

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 USD'000	2015 USD'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**125,354**	55,908
CURRENT ASSETS		
Cash and cash equivalents	**3**	3
CURRENT LIABILITIES		
Other payables and accruals	**71**	–
Due to the ultimate holding company	**50,000**	–
Total current liabilities	**50,071**	–
NET CURRENT ASSETS/(LIABILITIES)	**(50,068)**	3
Total assets less current liabilities	**75,286**	55,911
NON-CURRENT LIABILITY		
Notes	**20,213**	–
Net assets	**55,073**	55,911
EQUITY		
Issued capital	**1,934**	1,934
Reserves (note)	**53,139**	53,977
Total equity	**55,073**	55,911

NOTES TO FINANCIAL STATEMENTS

31 December 2016

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account USD'000	Retained earnings/ (accumulated losses) USD'000	Total USD'000
At 1 January 2015	47,541	(3,475)	44,066
Total comprehensive income for the year	–	9,911	9,911
At 31 December 2015 and 1 January 2016	47,541	6,436	53,977
Total comprehensive loss for the year	–	(838)	(838)
At 31 December 2016	47,541	5,598	53,139

34. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

35. EVENT AFTER THE REPORTING PERIOD

On 5 January 2017, Cosmo Field granted an unsecured interest-free loan of USD10.0 million to the Company.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 24 March 2017.

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION

Financial results		**For the year ended 31 December**			
(USD'000)	**2016**	2015	2014	2013	2012
Continuing operations					
REVENUE	**1,240,674**	550,168	152,304	110,372	54,323
Cost of sales	**(1,226,963)**	(535,266)	(136,928)	(69,263)	(32,247)
Gross profit	**13,711**	14,902	15,376	41,109	22,076
Other income	**3,738**	2,735	2,576	52	4
Selling and distribution expenses	**(180)**	(120)	(7,605)	(8,500)	(4,641)
Administrative expenses	**(5,379)**	(5,072)	(4,136)	(6,052)	(2,862)
Other expenses	**(3,466)**	(9,361)	(2,574)	(1,314)	(169)
Finance costs	**(2,836)**	(355)	(678)	(91)	(51)
Profit/(loss) before tax from continuing operations	**5,588**	2,729	2,959	25,204	14,357
Income tax expense	**(1,243)**	(2,112)	(753)	(5,459)	(3,953)
Profit/(loss) for the year	**4,345**	617	2,206	19,745	10,404
Other comprehensive income					
Changes in fall value of available-for-sale investments	**5,884**	–	–	–	–
Income tax effect	**(1,471)**	–	–	–	–
	4,413	–	–	–	–
Exchange differences on translation of foreign operations	**(178)**	(2,870)	(1,409)	(1,532)	858
Other comprehensive income for the year	**4,235**	(2,870)	(1,409)	(1,532)	858
Total comprehensive income for the year, net of tax	**8,580**	(2,253)	797	18,213	11,262
Profit/(loss) for the year attributable to:					
Owners of the Company	**4,345**	617	2,206	19,745	10,419
Non-controlling interests	**–**	–	–	–	(15)
	4,345	617	2,206	19,745	10,404
Total comprehensive income for the year attributable to:					
Owners of the Company	**8,580**	(2,253)	797	18,213	11,279
Non-controlling interests	**–**	–	–	–	(17)
	8,580	(2,253)	797	18,213	11,262

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION

Assets and Liabilities			**As at 31 December**		
(USD'000)	**2016**	2015	2014	2013	2012
Non-current Assets	**46,886**	58,248	75,570	68,221	36,660
Current Assets	**196,939**	112,375	60,531	58,739	5,736
Total Assets	**243,825**	170,623	136,101	126,960	42,396
Non-current Liabilities	**(24,782)**	(17,256)	(4,216)	(4,798)	(4,811)
Current Liabilities	**(116,492)**	(59,396)	(36,792)	(18,008)	(10,977)
Total Liabilities	**(141,274)**	(76,652)	(41,008)	(22,806)	(15,788)
Equity attributable to owners of the Company	**102,551**	93,971	95,093	104,154	26,608

GLOSSARY

In this annual report, unless the context otherwise requires, the following words and expressions shall have the following meanings.

"AGM"	the annual general meeting of the Company
"Articles of Association" or "Articles"	the articles of association of the Company which is effective from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"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
"CAA Resources", "Company", "we", "us" or "our"	CAA Resources Limited (優庫資源有限公司), a company incorporated in the Cayman Islands on 25 April 2012 under the Companies Law CAP. 22 and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
"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 the Company
"Capture Advantage"	Capture Advantage Co., Ltd. a company incorporated in the BVI with limited liability on 23 August 2010, and which is a directly wholly-owned subsidiary of the Company
"Capture Bukit Besi"	Capture Bukit Besi Sdn Bhd., a company incorporated in Malaysia as a private company limited by shares on 30 September 2013 and which is wholly owned by Best Sparkle Development Limited, and an indirect wholly-owned subsidiary of the Company

GLOSSARY

"CG Code"	Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules
"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. Li Yang, Mr. Wang Er and Ms. Li Xiaolan and is deemed as a connected person of our Company under the Listing Rules
"Chief Executive Officer"	the chief executive (as defined in the SFO) of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this report and for geographical reference only and except where the context requires, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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 of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules, and in the context of this annual report means the controlling shareholders of our Company, namely Cosmo Field and Mr. Li Yang, and Controlling Shareholder means any one of them
"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 Yang
"COSO"	The Committee of Sponsoring Organizations of the Treadway Commission, a joint initiative dedicated to the development of frameworks and guidance on enterprise risk management, international control and fraud deterrence

GLOSSARY

"Deed of Non-Competition"	a deed of non-competition entered into on 9 June 2013 between the Company and each of Mr. Li Yang and Cosmo Field, as covenantors, each of Mr. Li Yang and Cosmo Field 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
"Director(s)"	the director(s) of the Company
"ESG"	Environment, Social and Governance as referred in Appendix 27 of the Listing Rules
"ESG Reporting Guide"	Guide on Environment, Social and Governance Reporting set out in Appendix 27 of the Listing Rules
"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, the details of which is set out in our announcement dated 7 November 2014
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong

GLOSSARY

"Hua Heng"	Hua Heng Investments Limited (華恒投資有限公司), a company incorporated in the BVI with limited liability on 23 March 2012, and which is wholly owned by Mr. Yang Jun, our Shareholder
"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 comprise standards and interpretations approved by International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"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
"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 Executive Officers, Substantial Shareholders of the Company or any of its subsidiaries and their respective associates, and "Independent Third Party" means any of them
"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
"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
"JORC"	the Australasian Joint Ore Reserves Committee
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

GLOSSARY

"Kt"	thousand tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 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
"mining volume"	the aggregate volume of produced ore volume excluding stripping rock volume
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOU"	memorandum of understanding
"Mt"	million tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"Nomination Committee"	the nomination committee of the Board
"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 Development Ltd., and an indirect wholly-owned subsidiary of our Company
"probable reserves"	the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined
"Project Ibam"	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement

GLOSSARY

"Prospectus"	the prospectus dated 30 June 2013 issued by the Company in connection with the Global Offering and the Listing
"Red Sun Resources"	Red Sun Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares which the interest on a parcel of land located at Bukit Besi, Terengganu, Malaysia would be transferred
"Remuneration Committee"	the remuneration committee of the Board
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"RMB"	Renminbi, the lawful currency of the PRC
"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 HKD0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 12 April 2013 "Shareholder(s)"
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent
"3W Development"	3W Development Limited, a company incorporated in Hong Kong as a private company Limited by shares on 25 February 2014 and which is an indirect wholly-owned subsidiary of the Company

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Yang
(Chairman and Chief Executive Officer)
Ms. Li Xiaolan
Mr. Wang Er
Ms. Xu Mijia

Independent Non-Executive Directors

Mr. Kong Chi Mo
Dr. Li Zhongquan
Dr. Wang Ling

AUDIT COMMITTEE

Mr. Kong Chi Mo *(Chairman)*
Dr. Wang Ling
Dr. Li Zhongquan

REMUNERATION COMMITTEE

Dr. Wang Ling *(Chairman)*
Dr. Li Zhongquan
Ms. Li Xiaolan

NOMINATION COMMITTEE

Mr. Li Yang *(Chairman)*
Dr. Wang Ling
Dr. Li Zhongquan

AUTHORISED REPRESENTATIVES

Mr. Li Yang
Mr. Chu Lok Fung Barry

COMPANY SECRETARY

Mr. Chu Lok Fung Barry, CPA (Aust.), FCPA

LEGAL ADVISER TO THE COMPANY

As to Malaysian law:
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Jalan PJU 1/39
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Selangor Darul
Ehsan Malaysia

AUDITOR

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Hong Kong

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Kuantan, Pahang
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Cayman Islands

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STOCK CODE

02112