CAA
CAA RESOURCES

CAA Resources Limited
優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 02112

Annual Report 2014

* For identification only

CONTENTS

Financial and Operating Highlights

	Notes	2013 USD'000	2014 USD'000	% Change
Result				
Revenue		110,372	**152,304**	+38.0
Profit attributable to owners of the Company		19,745	**2,206**	-88.8
Financial Position				
Inventories		5,583	**2,804**	-49.8
Trade receivables		12,386	**36,289**	+193.0
Total interest-bearing bank and other borrowings		4,485	**24,494**	+446.1
Trade payables		2,654	**2,925**	+10.2
Total assets		126,960	**136,101**	+7.2
Total current assets		58,739	**60,531**	+3.1
Total current liabilities		18,008	**36,792**	+104.3
Key Financial Ratios		2013	**2014**	Difference
Performance				
Gross profit margin		37.2%	**10.1%**	-27.1%
Net profit margin	1	17.89%	**1.45%**	-16.44%
Return on assets	2	23.32%	**1.68%**	-21.64%
Operating				
Inventory turnover days	3	18	**11**	-7
Debtors' turnover days	4	22	**58**	+36
Creditors' turnover days	5	12	**7**	-5
Liquidity and Gearing				
Current ratio	6	3.3	**1.6**	-1.7
Gearing ratio	7	N.A.	**0.9**	N/A
Per share data				
Net assets per share (US cents)		0.07	**0.06**	
Basic earnings per share (US cents)		1.51	**0.15**	
Proposed final dividend (HK cents)		5.10	–	

	2013	2014	Difference
Operating Statistics			
Number of crushing line owned and operated as at 31 December	2	**7**	+5
Number of beneficiation line owned and opearted as at 31 December	9	**9**	—
Actual ore mining volume (Mt) for the year ended 31 December	1.2	**0.9**	-0.3
Actual ore crushing volume (Mt) for the year ended 31 December	0.84	**0.29**	-0.55
Actual ore beneficiation volume (Mt) for the year ended 31 December	0.51	**0.21**	-0.30
Ore production volume (Mt) for the year ended 31 December	0.6	**0.2**	-0.4

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, 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 2014 annual report.

Last year was no doubt a turning point for iron ore market. Although the slowdown of economic development of Mainland China from full speed was a foregone conclusion, the demand for imported iron ore in China did not shrink accordingly. But the international iron ore suppliers were all increasing their production volume, which provided the conditions for the significant fall in international prices of iron ore. In addition, factors such as the decrease in international prices of raw materials also led to the significant fall in the prices of iron ore. Although the macro environment has been challenging, the Group continued to replace the equipment at the mine in order to stay competitive in the market. The Group also made strategic adjustment on business. The Group sold iron ore with relatively aggressive trade terms temporarily during the replacement of equipment and actively controlled the cost, though such measures ensured the profit of the principal business at the expense of gross profit from sales for the year.

Even so, the Group still conducted business based on the established plan and cooperation agreement during the year under review. Our sales revenue still recorded an increase of 38.0% to USD152.3 million (2013: USD110.4 million), and the sales volume of iron ore products increased by 32.0% to 1,390 Kt on dry basis (2013: 1,053 Kt).

In view of the change in the nature of international iron ore market, the Group made timely adjustment on strategy. As at 16 May 2014, the Group entered into an equity transfer agreement through its indirectly wholly-owned subsidiary in order to set foot in the micro credit sector in Mainland China by way of passive investment. In addition, as at 27 January 2015, the Group entered into a memorandum of understanding through its indirectly wholly-owned subsidiary in order to expand its business to internet finance industry and expected that this would bring stability and continuity to the Group's long-term earnings.

Looking forward to 2015, for monetary policy, European Union and Japan obviously adopted quantitative easing. China's sudden interest-rate cut in November 2014 and February 2015 showed that China, Europe and Japan would be against the tightening monetary policy of the United States. As such, the Group would reduce the investment on new ore resources in a prudent manner so as to retain the strength in such an uncertain macro environment. Meanwhile, under the "One Belt, One Road" project known as China's "Marshall Plan", China actively exported high-speed rail technology and products to countries in Southeast Asia, Central Asia and Middle East. Kuantan, Malaysia, where the Group's headquarters are located, is also one of the beneficiaries of the project. "Malaysia-China Kuantan Industrial Park" will become one of China's important strategic arrangements in South China Sea. Together with the railway development in Western China and Silk Road economic belt, all these could be the important reasons for the potential re-increase in demand for steel and iron ore in the future. Given this, the management is still cautiously optimistic about the long-term prospects of the Group's business, and will closely monitor the market condition and seize every opportunity.

Our management team and staff are committed to continue to work hard and to strictly comply with the Group's cost-controlling measures designed to increase effectiveness and optimize capacity continuously. At the same time, we will formulate our business development plan in accordance with market environment conditions and our own needs. We will actively look for appropriate investment plans and will diversify the sources of income of the Group in order to reduce the risk from non-diversified business and deliver better and long-tern returns on investment 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 trust. I would also like to thank our investors, bankers and business partners for their unfailing support all along.

Chairman and Chief Executive Officer
Li Yang

Hong Kong, 23 March 2015

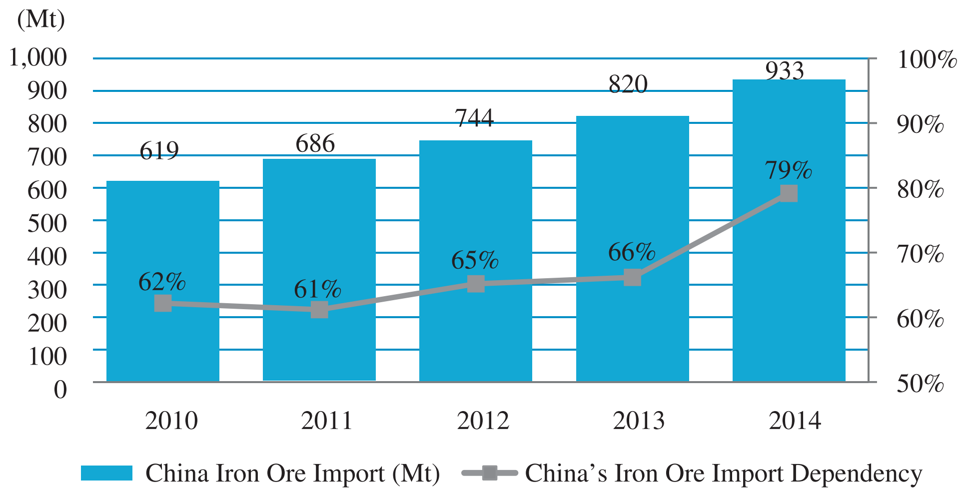
Management Discussion and Analysis

MARKET OVERVIEW

Last year was no doubt a turning point for iron ore market. Although the slowdown of economic development of Mainland China from full speed was a foregone conclusion, and Platts 62% Iron Ore Index fell 46.65% from approximately 134.50 in the beginning of the year to 71.75 at the end of the year, the demand for import iron ore in China did not shrink accordingly. It has been reported that the amount of iron ore imported to China in 2014 reached 0.933 billion tonnes (2013: 0.820 billion tonnes), represented a year-on-year growth of 13.8%. China's dependence on iron ore imports further rose to 78.5%, represented a year-on-year growth of 9.7%. In addition, factors such as the decrease in international prices of raw material also led to the significant fall in the prices of iron ore, allowing the supply of imported iron ore to further replace that of domestic ore.

Meanwhile, the overall prices of finished materials in China decreased significantly. For example, the decrease of the billet price during the year amounted to RMB530 per tonne, and the maximum decrease was RMB630 per tonne. The export of steel from China decreased during the year, indirectly increasing the domestic supply of steel in China. Domestic steel traders generally experienced problems of cash flow chain. The steel mills faced significant financial pressure. In order to control the costs, the steel mills can only transfer their pressure to the raw material suppliers.

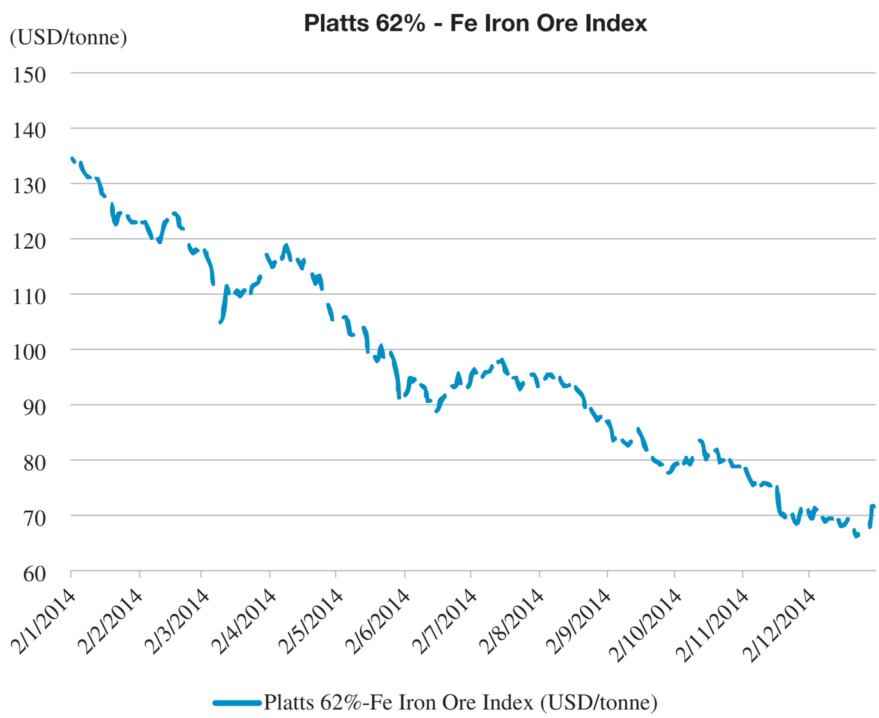
China Iron Ore Import



MARKET OUTLOOK

Looking ahead into 2015, from the demand-supply equilibrium, the slowdown of the economic growth of China will undoubtedly reduce the consumption of steel materials. As the supply of low cost iron ore around the world is higher than the demand, the sluggish condition of iron ore price is likely to sustain.

On the other hand, the policies of the "One Belt and One Road" Plan, facilitated China to actively export high-speed rail technologies and products to Southeast Asia, Central Asia and Central and Eastern Europe. In addition the railroad development along Western China and the Silk Road economic zone will lead to the recovery of the demand for iron and steel and iron ore in China in future. Therefore China is still the major market that the Group devoted in developing. However, under such sluggish condition of international iron ore pricing, the control over production cost becomes crucial to profit. In order to thrive in such hasty changing market, the Group will continue to optimize its products, effectively control its costs and develop diversified businesses.



BUSINESS AND OPERATIONS REVIEW

Major operating results

Although the international prices of the commodity generally decreased during the year under review, the Group benefited from an increased demand for imported iron ore from customers in China and thus growth in both sale volume and revenue were recorded comparing to 2013.

For the year ended 31 December 2014, the Group's sales revenue soared 38.0% to approximately USD152.3 million (2013: approximately USD110.4 million). Sales volume of iron ore products surged 32.0% to approximately 1,390 Kt on dry basis (2013: approximately 1,053 Kt). Products sold had average iron ore grades of 61.6% (2013: 56.6%), with average selling price of iron one products on dry basis at USD97 per tonne (2013: USD103 per tonne).

As a result of drastic drop in international iron ore prices, the Group recorded decrease in gross profit by 62.6% in 2014 to USD15.4 million compared to USD41.1 million in 2013. The gross profit margin for 2014 dropped to 10.1% (2013: 37.2%). The Group's profit for the year decreased by 88.8% from USD19.7 million in 2013 to USD2.2 million, mainly as a result of the drop in international iron ore prices, market competition and the rise in costs. Basic earnings per Share for the year 2014 was US0.15 cents (2013: US1.51 cents).

The sales analysis for the Group is as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2013	Change
Sales Revenue	**USD152,304,000**	USD110,372,000	+38.0%
– Iron Ore note 1	**USD134,311,000**	USD107,873,000	+24.5%
– Other Commodities note 2	**USD17,993,000**	—	—
Service income	—	2,499,000	-100%
Sales Volume (dry basis)			
– Iron Ore	**1,390,000 tonnes**	1,053,000 tonnes	+32.0%
– Other Commodities	**207,000 tonnes**	—	—
Gross Profit	**USD15,376,000**	USD41,109,000	-62.6%
Gross Profit Margin	**10.1%**	37.2%	-27.1 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: Steam coal and copper cathodes.

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. It has a mine life expected to be more than 26 years. 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.

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 2014, the Group had a total of nine beneficiation lines, and a total of seven crushing lines, the annual mining volume of Project Ibam reached 0.9 Mt (2013: 1.2 Mt). Project Ibam accounted for about 11.7% of the Group's total revenue.

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

	For the year ended 31 December 2014	For the year ended 31 December 2013	Change
Mining Volume	**0.9 Mt**	1.2 Mt	-25.0%
Production Volume	**208.2 Kt**	639.2 Kt	-67.4%

Total mining volume and crushed of Ibam Mine for the year ended 31 December 2014 was 865,887 tonnes, as set out below:

Quarter ended	**Quarterly Ore mined and crushed (tonnes)**	**Average Fe Grade (%)**
31 March 2014	344,050	44.7
30 June 2014	79,005	45.0
30 September 2014	87,407	47.0
31 December 2014	355,425	49.0

During the year under review, no exploration activities were carried out at the Ibam Mine.

For details of the Company's update during the year with respect to completing the alteration of the tailings pond at Ibam Mine, please refer to the Company's announcement on 27 January 2014.

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

	2014 USD'000	2013 USD'000
Service fees to mining contractor	**2,593**	4,394
Mining fee paid to mining lease holder	**2,275**	4,538
Service fees to processing contractors	**853**	7,734
Total:	**5,721**	16,666

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.

Capital expenditure in respect of the development activities during the year ended 31 December

	2014 USD'000	2013 USD'000
Purchase and construction of mining properties and machinery	**244**	8,429
Construction in progress – mining properties and machinery	**3,237**	9,690
Payment in advance	**35**	1,613
Total:	**3,516**	19,732

The above expenditures have been capitalized and recorded in the statements of financial position under the line item of Property, Plant and Equipment and Payments in Advance as at 31 December of the corresponding years.

BUSINESS STRATEGIES

Adjustment of existing businesses strategies

Given that the ever-falling price of iron ore in the international market posed extreme challenges to the operation of the Group, for the time being and the foreseeable future, the Group is cautious about the prospects of the international iron ore market. Therefore the Group would carefully evaluate the opportunity in acquiring other iron ore mines in Malaysia. The Group did not acquire any other mines during the year under review.

Despite the challenges in the macro-economic environment, the Group still insisted in replacing and substituting the equipment at the mining area, so as to maintain the competitiveness of the Group in the market. The Group also made corresponding strategic adjustment on its businesses. During the period when the equipment are being replaced and substituted, the sales of iron ore was conducted with relatively more aggressive trading terms whilst costs were also proactively under control. This resulted in the sales of the Group in 2014 still achieving considerable growth to assure that the Group is still profitable. However, those measures temporarily set off the gross profit margin for this year.

The Group conducted technology upgrade to certain production lines of the Project Ibam so as to produce pelletizing iron powder of better quality, low impurities, low energy consumption, environmentally friendly, strong market demand and prices that are better than ordinary iron powder, which is super fine powder with iron content of 66% and more. This will increase the quality of the products so that the revenue and profit of the Group will further grow.

Diversified business development

Apart from the existing business at Ibam Mine, the Group is now actively exploring other sources of income and earnings so as to maximize the interests of Shareholders. This will allow our businesses to develop in diversified directions and reduce the risks of a single business. One of the development strategies is to merge and acquire a series 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.

On 16 May 2014, 3W Development, an indirect wholly-owned subsidiary of the Company in Hong Kong and Spread Wealth Investments Limited, an Independent Third Party, entered into an equity transfer agreement. Pursuant to the equity transfer agreement, the purchaser conditionally agreed to acquire and the vendor conditionally agreed to dispose of 10 million ordinary share with par value of USD1 each, being approximately 14.2857% interest in the issued and paid-up capital of Fortune Union Asia Pacific, at a consideration of US$10,000,000 (equivalent to approximately HK$77,500,000). The wholly-owned subsidiary of the Target Company is engaged in, among other things, equipment leasing business in Chongqing, China.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue reached approximately USD152.3 million, representing 38.0% higher than the amount of USD110.4 million recorded in the year of 2013. The increase in revenue was mainly brought by higher sales volume of the Group's iron ore products which was mainly attributable to growing demand in China's iron ore import market. The sales volume of iron ore on dry basis for the year under review was approximately 1,390 Kt, representing 32.0% higher than 1,053 Kt in 2013. The average selling price (dry basis) of the iron ore products for the year was USD96.6 per tonne (2013: USD102.7). The reasons for the decrease were the significant dropping of international iron ore price and the market competition.

In addition to sales of iron ore products which was approximately USD134.3 million for the year (2013: USD107.9 million), the Group did not record any beneficiation service income during the year under review (2013: USD2.5 million). The decrease in service income was mainly due to the termination of cooperation with Esperance Mining Sdn. Bhd. since April 2013. In order to meet customers' needs, the Group also conducted trading of steam coal and copper cathodes during the year under review, generating a sales revenue of approximately USD18.0 million (2013: Nil). Revenue from the PRC and Malaysia was approximately USD152.3 million and zero for the year respectively (2013: USD107.9 million and USD2.5 million respectively). Revenue from Malaysia for 2013 represented the beneficiation service rendered in Esperance Mine.

Cost of Sales

During the year under review, the Group's cost of sales reached approximately USD136.9 million, about 97.5% higher than the approximately USD69.3 million recorded for the year 2013. The cost of sales primarily comprises ore production cost, 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 other commodity for trading purpose and their freight costs to destination ports. During the year, the average unit cost of iron ore was USD85.9 per dry tonne basis, 34.9% higher than that of last year at USD63.7 per dry tonne basis. The reasons for the increase in unit cost of iron ore were (i) more trading business activities conducted during the year, which included freight costs to destination ports; and (ii) increased unit production costs as a result of decreased production volume.

Gross Profit and Margin

During the year under review, the Group's gross profit reached approximately USD15.4 million, about 62.6% lower than the approximately USD41.1 million recorded in year of 2013. The gross profit margin for the year ended 31 December 2014 was 10.1%, lower than that of last year at 37.2%. The decrease was mainly due to the dropping of international iron ore price, price competition and more trading business conducted compared with last year.

Selling and Distribution Expenses

During the year, the Group's selling and distribution expenses reached approximately USD7.6 million, about 10.6% lower than the approximately USD8.5 million recorded for 2013. The decrease was mainly due to the majority cost in freight transport between the mining site and the destination ports assigned by the clients in relation to trading business was included in the costs of goods sold. Such decrease was partially offset by increased marketing fee.

Administrative Expenses

During the year, the Group's administrative expenses reached approximately USD4.1 million, about 32.8% lower than the approximately USD6.1 million in the year of 2013. The decrease was mainly due to no Listing expenses were recorded during the year under review (2013: USD2.8 million).

Finance Costs

During the year, the Group's finance costs reached approximately USD0.7 million, about 600% higher than the approximately USD0.1 million in the year of 2013. The increase was mainly attributable to the increase of bank and other borrowings.

Income Tax Expenses

During the year, the Group's income tax expense reached approximately USD0.8 million, about 85.5% lower than the approximately USD5.5 million in the year of 2013. The effective tax rate was 25.4% in comparing with 21.7% of last year. The increase in effective tax rate was mainly due to deferred tax assets in relation to certain taxation loss recorded in certain offshore subsidiaries was not recognised for taxation during the year, and the amount is higher than that of the non-taxable dividend income.

Profit for the Year

As a result of the operating activities, profit for the year ended 31 December 2014 decreased by 88.8%, from approximately USD19.7 million for the year ended 31 December 2013 to approximately USD2.2 million for the year ended 31 December 2014.

The net profit margin decreased from 17.9% for the year ended 31 December 2013 to 1.4% for the year ended 31 December 2014.

Total Comprehensive Income Attributable to Owners of the Company

Total comprehensive income attributable to owners of the Company decreased by 95.6%, from approximately USD18.2 million for the year ended 31 December 2013 to approximately USD0.8 million for the year ended 31 December 2014. The decrease was greater than the percentage decrease in profit for the year, which was due to foreign exchange loss arising from translation of foreign operations of approximately USD1.4 million recorded during the year (2013: USD1.5 million).

Final Dividend

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2014 (2013: HK5.1 cents per Share).

LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2014 was approximately USD95.1 million (31 December 2013: USD104.2 million). The Group generally finances its operation with internally generated cash flow and interest-bearing loans and borrowings. Primary uses of funds during the year included settlement of operating expenses, payment of available-for-sale investment and purchase of items of property, plant and equipment. As at 31 December 2014, current assets of approximately USD60.5 million primarily comprised USD2.8 million of inventory, USD36.3 million of trade receivables, USD6.0 million of prepayments, deposits and other receivables, and USD15.4 million of cash and cash equivalents. Current liabilities of approximately USD36.8 million mainly comprised USD2.9 million of trade payables, USD24.2 million of interest-bearing bank and other borrowing, and USD6.4 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.6 as at 31 December 2014 (31 December 2013: 3.3). Although the liquidity position has deteriorated, the Group has sufficient financial resources to finance its business and to meet its working capital requirements.

As at 31 December 2014, the Group had certain interest-bearing bank and other borrowings of USD24.5 million in total (31 December 2013: USD4.5 million). The bank and other borrowings were used to finance the issuance of letter of credit and purchase of machinery and motor vehicles.

Cash and Cash Equivalents

Cash and cash equivalents of the Group in 2014 decreased by approximately USD20.3 million compared to 2013.

Detailed cash flow analysis is as follows:

	For the year ended 31 December	
	2014	2013
Cash and cash equivalents in the consolidated statement of cash flow at beginning of year	**30,748**	1,861
Net cash flows (used in)/from operating activities	**(14,010)**	2,322
Net cash flow used in investing activities	**(15,657)**	(35,412)
Net cash flows from financing activities	**9,610**	62,091
Net (decrease)/increase in cash and cash equivalents	**(20,057)**	29,001
Effect of foreign exchange rate changes, net	**(261)**	(114)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year	**10,430**	30,748

Net Cash Flows used in Operating Activities

The Group's net cash flows used in operating activities changed from approximately USD2.3 million inflow for the year ended 31 December 2013 to approximately outflow of USD14.0 million for the year ended 31 December 2014. It primarily included the profit before tax of USD3.0 million and the outflow of cash was mainly contributed by the increase in trade receivables of approximately USD23.9 million and income tax paid of approximately USD4.7million.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities decreased by 55.6%, from approximately USD35.4 million for the year ended 31 December 2013 to approximately USD15.7 million for the year ended 31 December 2014. It primarily included the purchase of items of property, plant and equipment of approximately USD2.4 million; increase in pledged bank deposit by approximately USD4.0 million and payment for acquiring available-for-sale investment of USD10 million.

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities significantly decreased by 84.5%, from approximately USD62.1 million for the year ended 31 December 2013 to approximately USD9.6 million for the year ended 31 December 2014. The substantial decrease is primarily due to the proceeds of approximately USD59.3 million from the IPO in 2013. During the year, cash inflows from financing activities mainly include the net proceeds from borrowings of approximately USD20.4 million, partially offset by the payment of 2013 final dividend of approximately USD9.9 million.

Inventories

The Group's inventories decreased by 50.0%, from approximately USD5.6 million as at 31 December 2013 to approximately USD2.8 million as at 31 December 2014. It is primarily because of enhancement of inventory management resulting in more flexible production planning and more trading business conducted that shortened the inventory turnover days from 18 days last year to 11 days.

Trade Receivables

The Group's trade receivables significantly increased by 192.7%, from approximately USD12.4 million as at 31 December 2013 to approximately USD36.3 million as at 31 December 2014. Trade receivable turnover days were approximately 58 days (2013: 22 days). The longer trade receivable turnover days was recorded since the credit periods of certain goods are prolonged to 120 days, in order to cope with the sluggish market conditions and sustain market competitiveness.

Major customers were granted credit on open account basis or allowed to settle by documentary letter of credit. However payment in advance is still 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 decreased by 33.3% from approximately USD9.0 million as at 31 December 2013 to approximately USD6.0 million as at 31 December 2014. Prepayments during the year primarily include prepayments made to the Group's major subcontractor for mining and processing costs amounting to approximately USD3.5 million.

Trade Payables

The Group's trade payables increased by 7.4% from approximately USD2.7 million as at 31 December 2013 to approximately USD2.9 million as at 31 December 2014, which was mainly due to the increase in purchase of iron ore products to cope with the increase in sale during the year under review.

Net Current Assets Position

The Group's net current assets position was deteriorated during the year, from net current assets of approximately USD40.7 million as at 31 December 2013 to net current assets of approximately USD23.7 million as at 31 December 2014, primarily attributable to significant increase in interest-bearing bank and other borrowings.

Borrowings

As at 31 December 2014, the Group's borrowings mainly included: (i) secured bank loans of USD22.9 million with an annual interest rate ranging from 2.32% to 3.73%; (ii) unsecured bank loans of USD0.8 million with an annual interest rate ranging from 2.49% to 5.22%;and (iii) hire purchase arrangements for motor vehicles and equipment of USD0.5 million with an annual interest rate ranging from 2.36% to 6.90%.

Contingent Liabilities

As at 31 December 2014, the Group did not have any material contingent liabilities.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than our 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 loan 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 2014		
If the US dollar weakens against RM	5%	1,444
If the US dollar strengthens against RM	(5%)	(1,444)
31 December 2013		
If the US dollar weakens against RM	5%	1,751
If the US dollar strengthens against RM	(5%)	(1,751)

During the year ended 31 December 2014 exchange loss arising from translation of foreign operations between RM and USD was approximately USD1.4 million.

Interest Rate Risk

The Group's income and operating cash flows were not substantially affected by changes in market interest rates. The Group has no significant interest-bearing assets, except for cash and cash equivalents. The Group had no significant interest rate exposure arising from its interest-bearing loans since the interest rates of all of its interest-bearing loans were fixed. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

Pledge of Assets

Motor vehicles and machinery with an aggregate net carrying amount approximate to USD1,321,000 (2013: USD1,025,000) were pledged to secure hire purchase arrangements entered into by the Group at 31 December 2014. As of 31 December 2014, bank deposits of USD4,979,000 (2013: USD989,000) were pledged to secure bank loans granted to the Group.

Contractual Obligations

As at 31 December 2014, the Group's contractual obligations amounted to approximately USD67.0 million, and decreased by USD5.2 million as compared to approximately USD72.2 million as at 31 December 2013.

Capital Expenditure

During the year, the Group's total capital expenditure decreased by USD23.4 million from approximately USD35.9 million in 2013 to approximately USD12.5 million in 2014. The major capital expenditure consisted of payment to acquiring available-for-sale investment of USD10 million, acquisition of machinery, construction in progress and purchase of other tangible assets for office in Hong Kong and Malaysia aggergreate to USD2.5 million.

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 loans, 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.

The Group's gearing ratio as at 31 December 2014 was 8.7% (2013: N.A.).

RESOURCE AND RESERVES OF IBAM MINE UNDER THE JORC CODE AS AT 31 DECEMBER 2014

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2014 (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 2014:

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 mining volume of 0.9Mt during the year.

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 2014, the Group had 48 employees (2013: 52). For the year ended 31 December 2014, total staff cost including Directors' emolument amounted to approximately USD1.6 million (2013: USD1.7 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.

SIGNIFICANT ACQUISITIONS AND INVESTMENTS

For details of significant acquisitionss and investments of the Group during last year, please refer to the section "Diversified Business Development". In addition, the Group decided during the year: (1) not to exercise the pre-emptive rights in respect of the beneficial and/or legal interests in the shares of Gema Impak (please refer to the announcement on 7 November 2014 for further details); and (2) to terminate the negotiation on the target project (please refer to the announcement on 26 September 2014 for further details).

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.

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	18,346	3,516	14,830
Construction of the new berth at Kuantan Port	10,488	—	10,488
Total	28,834	3,516	25,318

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 2014 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. Explanations for such non-compliance are discussed later 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 2014.

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.

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 2014 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
Mr. Dong Jie

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 30 to 34 of this annual report.

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 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.

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 2014 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM
Executive Directors					
Mr. Li Yang	5/5	N.A.	1/1	N.A.	1/1
Ms. Li Xiaolan	5/5	N.A.	N.A.	1/1	1/1
Mr. Wang Er	5/5	N.A.	N.A.	N.A.	0/1
Mr. Dong Jie	5/5	N.A.	N.A.	N.A.	0/1
Independent non-executive Directors					
Mr. Kong Chi Mo	5/5	3/3	N.A.	N.A.	1/1
Dr. Li Zhongquan	5/5	3/3	1/1	1/1	0/1
Dr. Wang Ling	5/5	3/3	1/1	1/1	0/1

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 23 March 2015 to approve the annual results and other relevant matters of the Group. All Directors were present 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 119.

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 auditors and assessing their independence and qualifications, and ensuring the effective communication between our external auditors. 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 three 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 auditors.

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

The Company's and the Group's audited financial statements for the year ended 31 December 2014 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 2014, three committee meetings were held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Mr. Kong Chi Mo	3/3
Dr. Wang Ling	3/3
Dr. Li Zhongquan	3/3

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 2014, one committee meeting was held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Dr. Wang Ling	1/1
Dr. Li Zhongquan	1/1
Ms. Li Xiaolan	1/1

During the year under review, Mr. Diao Dalin was appointed as Director on 30 April 2014 subsequent to the retirement of Mr. Gong Maoqing by rotation. Mr. Diao resigned from this position on 7 November 2014 due to personal health reason, but remained as consultant to the Company. 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 7 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.

For the year ended 31 December 2014, one committee meeting was held and the attendance records of individual members are set out below:

Name of Directors	Number of meetings attended/held
Mr. Li Yang	1/1
Dr. Wang Ling	1/1
Dr. Li Zhongquan	1/1

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 AUDITORS AND AUDITORS REMUNERATION

The Group appointed Ernst & Young as the Group's auditors. The acknowledgement of their responsibilities on the financial statements are set out in the section of "Independent Auditors' Report" on pages 44 to 45 of this annual report.

For the year ended 31 December 2014, the fee paid and payable to Ernst & Young in respect of audit and audited related services amounted to approximately USD0.4 million.

DIRECTORS' AND AUDITORS' 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 2014.

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 2014, 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.

INTERNAL CONTROL

The Board recognizes its responsibility for maintaining an adequate and sound 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 and compliance controls, and risk management functions.

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.

The Board has considered the effectiveness of its internal control system and is of the view that the internal control system adopted for the year ended 31 December 2014 was effective and the Company has complied with the CG Code.

During the year under review, the Company appointed an external firm of qualified accountants and conducted a review of the effectiveness of certain material internal control systems of the Group, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget. The Audit Committee has reviewed the internal audit reports and based on the controls in place, is satisfied that there are adequate internal controls in the Group.

COMPLIANCE ADVISOR

The Company has appointed China Everbright Capital Limited on 19 July 2013 as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company pursuant to the requirements thereunder. During the year ended 31 December 2014, China Everbright Capital Limited has, amongst other things, provided advice to the Company with due care and skill on a timely basis in the following circumstances:

- before the publication by the Company of any regulatory announcement (whether required by the Listing Rules or requested by the Stock Exchange or otherwise), circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapter 14 or 14A of the Listing Rules, is contemplated by the Company including share issues and share repurchases;
- where the Company proposes to use the proceeds of the IPO in a manner different from that detailed in the Prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in the Prospectus;

- where the Stock Exchange makes an inquiry of the Company under Rule 13.10 of the Listing Rules;
- if required by the Stock Exchange, deal with the Stock Exchange in respect of any or all matters listed in the foregoing paragraph above;
- in relation to an application by the Company for a waiver from any of the requirements in Chapter 14A of the Listing Rules, advise the Company on its obligations and in particular the requirement to appoint an independent financial advisor; and
- assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, to the extent to compliance advisor forms an opinion that the new appointees' understanding is inadequate, discuss the inadequacies with the Board and make recommendations to the Board regarding appropriate remedial steps such as training.

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 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.

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 auditors 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 2014.

Profiles of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Li Yang, aged 27, 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. Mr. Li is the director of Capture Bukit Besi since September 2013 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 50, 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 16 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.

Mr. Wang Er, aged 58, was appointed as an executive Director and the production supervisor of our Company on 12 April 2013. 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 31 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.

Mr. Dong Jie, aged 60, was appointed as an executive Director of the Company on 12 April 2013. Mr. Dong is mainly responsible for the Group's processing technology study and provides technical advice. Mr. Dong has approximately 31 years of experience in the mining industry. He joined our Group as a chief engineer in March 2008 and since then had taken part in a number of field trips to Malaysia in search for suitable mining projects. As a key technical advisor, Mr. Dong was responsible for collection of samples, conducting analysis and issuance of internal analysis reports during the early stage of Project Ibam. Mr. Dong is currently a technical adviser of the Group in respect of raw ore analysis and perfection of iron ore beneficiation technology.

Prior to joining the Group, Mr. Dong served as a mining investment technical advisor for Chengdu Hande between September 2005 and August 2007, mainly responsible for certification of jade pieces and provision of technical advice and assessment of mining projects. Between January 1997 and August 2005, Mr. Dong worked at Sichuan Guandi Mine (四川官地鐵礦) as chief engineer, and was mainly responsible for the mining of an iron ore mine located in Huili County of Sichuan Province. As a key technical adviser and engineer of the said iron ore project, he was responsible for the analysis of processing technology, technical advisory, management, and on-site mining operations. Mr. Dong also directed the crushing, drying and ball mill pulverizing operations of iron ore. During his term of office, the said mine achieved an average annual production of 1 Mt of iron ore. And before that, Mr. Dong was a teaching staff at Chengdu Geology College focusing on the minerals study and analysis.

Mr. Dong graduated from Chengdu University of Technology (成都理工大學) in the PRC (formerly known as Chengdu Geology College (成都地質學院)), with a major degree in rock and mineral analysis in 1982.

Independent Non-executive Directors

Mr. Kong Chi Mo, aged 39, FCCA, FCIS, FCS (PE), MHKIoD was appointed as an independent non-executive Director on 12 April 2013, and he is the Chairman of the Audit Committee. Mr. Kong has over 17 years of experience in accounting, corporate governance and capital market.

Mr. Kong has been the executive director, chief financial officer and company secretary of China Vanadium Titano-Magnetite Mining Company Limited (stock code: 00893), a company listed on the Main Board of the Stock Exchange since October 2013, May 2008 and September 2009 respectively. Mr. Kong has also been the independent non-executive directors of Huazhang Technology Holding Limited (stock code: 01673), a company listed on the Main Board of the Stock Exchange, since May 2013 and Hengshi Mining Investments Limited (stock code: 01370), a company listed on the Main Board of the Stock Exchange since June 2013. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as a tax 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 bronze certificates of merit in continuing professional development in 2010 and 2011 and a silver certificate of merit in continuing professional development in 2012 respectively from the HKIoD. Mr. Kong graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration on 11 December 1997.

Dr. Li Zhongquan, aged 50, 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 56, was appointed as an independent non-executive Director on 12 April 2013, 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.

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. Yan Xiaodong, aged 55, 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 30 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.

Mr. Wang Zeping, aged 57, 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 33 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 44, 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 11 years of experience of auditing, financial and accounting gained from international accounting firms and listed companies, and has served as the auditors 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 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.

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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. Details of the Company's subsidiaries as at 31 December 2014 are set out in note 14 to the financial statements of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

No interim dividend was paid during the year (2013: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2014 (2013: HK5.1 cents per Share).

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on 19 June 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 17 June 2015 to Friday, 19 June 2015, 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 Tuesday, 16 June 2015.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results, assets and liabilities of the Group since incorporation, as extracted from the audited consolidated financial statements of the Group and the Prospectus, is set out on pages 112 to 113 in this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2014 are set out in note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2014 amounted to approximately USD4.1 million (2013: USD19.2 million). 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 26 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 49 of this annual report. As at 31 December 2014, the Company's reserves available for distribution to the Shareholders in accordance with the Articles of Association was USD47.5 million (2013: USD57.5 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.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 100.0%of the Group's total sales for the year ended 31 December 2014 (2013: 97.7%), and sales to its largest customer accounted for 59.6% of the Group's total sales for the year ended 31 December 2014 (2013: 71.1%). Purchases from the Group's five largest suppliers accounted for approximately 92.0% of the total purchases for the year ended 31 December 2014 (2013: 82.1%) and purchases from the largest supplier accounted for approximately 78.4% of total purchases for the year ended 31 December 2014 (2013: 33.7%).

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.

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
Mr. Gong Maoqing (retired on 30 April 2014)
Mr. Dong Jie
Mr. Diao Dalin (appointed on 30 April 2014 and resigned on 7 November 2014)

Independent Non-Executive Directors

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

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, and Dr. Wang Ling 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 30 to 34 of this annual report.

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 2014.

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 2014.

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' 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 2013.

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.

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

As at 31 December 2014, 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 (note 2)	Interest in controlled corporation	843,750,000 (L)	56.25%

Note:

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

2. Mr. Li Yang beneficially owns the entire issued share capital of Cosmo Field. Therefore, Mr. Li Yang 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 Yang is the sole director of Cosmo Field. On 4 September 2014, the Company has been notified that 404,000,000 shares in the share capital of the Company held by Cosmo Field, the Company's controlling shareholder which is wholly owned by Mr. Li Yang who is a director and controlling shareholder of the Company (and also its chairman and Chief Executive Officer), were charged in favour of Cheer Hope Holdings Limited ("Subscriber") which is an indirect wholly-owned subsidiary of CCB International (Holdings) Limited, as security for Cosmo Field's obligations in relation to a loan note issued by Cosmo Field to the Subscriber on 4 September 2014.

(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 (note 2)	Cosmo Field	Beneficial owner	100.00%

Save as disclosed above, as at 31 December 2014, none of the Directors nor the Chief Executive Officers of the Company had any interests or short positions in any Shares, underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2014, 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 (note 2)	Beneficial owner	843,750,000 (L)	56.25 (L)
Central Huijin Investment Ltd.	Person having a security interest in shares	404,000,000	26.93 (L)
China Construction Bank Corporation	Person having a security interest in shares	404,000,000	26.93 (L)
Hua Heng (note 3)	Beneficial owner	100,575,000 (L)	6.71 (L)
Yang Jun (note 3)	Interest in controlled corporation	100,575,000 (L)	6.71 (L)
Tang Lingyan (note 3)	Interest of a Substantial Shareholder's child under 18 or spouse	100,575,000 (L)	6.71 (L)
Asia Equity Value Ltd	Beneficial owner	74,972,000	4.99 (L)
	Beneficial owner	89,300,000	5.95 (S)

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 Yang beneficially owns the entire issued share capital of Cosmo Field. Therefore, Mr. Li Yang 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 Yang is the sole director of Cosmo Field. On 4 September 2014, the Company has been notified that 404,000,000 shares in the share capital of the Company held by Cosmo Field, the Company's controlling shareholder which is wholly owned by Mr. Li Yang who is a director and controlling shareholder of the Company (and also its chairman and Chief Executive Officer), were charged in favour of Cheer Hope Holdings Limited ("Subscriber") which is an indirect wholly-owned subsidiary of CCB International (Holdings) Limited, as security for Cosmo Field's obligations in relation to a loan note issued by Cosmo Field to the Subscriber on 4 September 2014.

3. 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 2014, 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 7 to the financial statements of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transaction are stated in note 32 to the financial statements of this annual report, which comprise of the 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 6 to the financial statements.

SHARE OPTION SCHEME

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

No option has been granted under the Share Option Scheme for the year ended 31 December 2014. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 31 December 2014.

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 2014. 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 at 31 December 2014.

AUDITOR

The Company has appointed Ernst & Young as auditors of the Company for the year ended 31 December 2014. A resolution will be proposed for approval by the Shareholders at the 2015 AGM to re-appoint Ernst & Young as auditors of the Company.

On Behalf of the Board of Directors

LI Yang
Chairman and Chief Executive Officer

23 March 2015

Independent Auditors' Report

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To the shareholders of CAA Resources Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of CAA Resources Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 111, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

23 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

	Notes	2014 USD'000	2013 USD'000
REVENUE	4	**152,304**	110,372
Cost of sales		**(136,928)**	(69,263)
Gross profit		**15,376**	41,109
Other income and gain		**2,576**	52
Selling and distribution expenses		**(7,605)**	(8,500)
Administrative expenses		**(4,136)**	(6,052)
Other expenses		**(2,574)**	(1,314)
Finance costs	5	**(678)**	(91)
PROFIT BEFORE TAX	6	**2,959**	25,204
Income tax expense	8	**(753)**	(5,459)
PROFIT FOR THE YEAR	9	**2,206**	19,745
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,409)**	(1,532)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**797**	18,213
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted (US cents)	10	**0.15**	1.51

Details of the dividends proposed for the year ended 31 December 2014 are disclosed in note 28 to the financial statements.

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 USD'000	2013 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**27,335**	26,896
Mining rights and reserves	12	**14,994**	16,000
Payments in advance	13	**15,165**	16,713
Available-for-sale investment	15	**10,000**	—
Goodwill	16	**7,779**	8,271
Deferred tax assets	24	**297**	341
Total non-current assets		**75,570**	68,221
CURRENT ASSETS			
Inventories	17	**2,804**	5,583
Trade receivables	18	**36,289**	12,386
Prepayments, deposits and other receivables	19	**6,029**	9,033
Pledged deposits	20	**4,979**	989
Cash and cash equivalents	20	**10,430**	30,748
Total current assets		**60,531**	58,739
CURRENT LIABILITIES			
Trade payables	21	**2,925**	2,654
Other payables and accruals	22	**3,283**	1,194
Interest-bearing bank and other borrowings	23	**24,210**	3,793
Tax payable		**6,374**	10,367
Total current liabilities		**36,792**	18,008
NET CURRENT ASSETS		**23,739**	40,731
Total assets less current liabilities		**99,309**	108,952
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**284**	692
Deferred tax liabilities	24	**3,629**	3,825
Provision for rehabilitation	25	**303**	281
Total non-current liabilities		**4,216**	4,798
Net assets		**95,093**	104,154

Consolidated Statement of Financial Position

31 December 2014

	Notes	2014 USD'000	2013 USD'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**1,934**	1,934
Reserves	27	**93,159**	92,362
Proposed final dividend	28	—	9,858
Total equity		**95,093**	104,154

Li Yang
Director

Li Xiaolan
Director

Consolidated Statement of Changes in Equity

31 December 2014

	Attributable to owners of the Company							
	Issued capital USD'000 (note 26)	Share premium USD'000 (note 27(a))	Capital reserve USD'000 (note 27(b))	Contributed surplus USD'000 (note 27(c))	Exchange fluctuation reserve USD'000	Retained earnings USD'000	Proposed final dividend USD'000	Total USD'000
At 1 January 2013	—	—	13,825	50	23	12,710	—	26,608
Profit for the year	—	—	—	—	—	19,745	—	19,745
Other comprehensive income for the year								
Exchange differences on translation of foreign operations	—	—	—	—	(1,532)	—	—	(1,532)
Total comprehensive income for the year	—	—	—	—	(1,532)	19,745	—	18,213
Capitalisation of share premium	1,451	(1,451)	—	—	—	—	—	—
Issue of shares	483	62,355	—	—	—	—	—	62,838
Share issue expenses	—	(3,505)	—	—	—	—	—	(3,505)
Proposed 2013 final dividend (note 28)	—	(9,858)	—	—	—	—	9,858	—
At 31 December 2013	1,934	47,541*	13,825*	50*	(1,509)*	32,455*	9,858	104,154
At 1 January 2014	**1,934**	**47,541**	**13,825**	**50**	**(1,509)**	**32,455**	**9,858**	**104,154**
Profit for the year	—	—	—	—	—	**2,206**	—	**2,206**
Other comprehensive income for the year								
Exchange differences on translation of foreign operations	—	—	—	—	**(1,409)**	—	—	**(1,409)**
Total comprehensive income for the year	—	—	—	—	**(1,409)**	**2,206**	—	**797**
Final 2013 dividend declared (note 28)	—	—	—	—	—	—	**(9,858)**	**(9,858)**
At 31 December 2014	**1,934**	**47,541***	**13,825***	**50***	**(2,918)***	**34,661***	—	**95,093**

* These reserve accounts comprise the consolidated reserves of USD93,159,000 (2013: USD92,362,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2014

	Notes	2014 USD'000	2013 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,959**	25,204
Adjustments for:			
Finance costs	5	**678**	91
Unrealised foreign exchange losses		**1,520**	672
Interest income		**(752)**	(6)
Gain on disposal of items of property, plant and equipment	6	**(16)**	(45)
Depreciation	11	**2,119**	1,533
Amortisation of intangible assets	12	**34**	75
		6,542	27,524
Increase in trade receivables		**(23,903)**	(11,631)
Decrease/(increase) in inventories		**2,779**	(4,301)
Decrease/(increase) in prepayments, deposits and other receivables		**3,004**	(7,796)
Increase in trade payables		**271**	836
Increase in other payables and accruals		**1,972**	114
Decrease in amounts due to related parties		—	(2,430)
Cash generated from/(used in) operations		**(9,335)**	2,316
Interest received		**2**	6
Income tax paid		**(4,677)**	—
Net cash flows from/(used in) operating activities		**(14,010)**	2,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**750**	—
Purchase of items of property, plant and equipment		**(2,444)**	(19,334)
Proceeds from disposal of items of property, plant and equipment		**27**	11
Payment in advance in respect the acquisition of a subsidiary		—	(15,100)
Increase in pledged deposits		**(3,990)**	(989)
Purchase of an available-for-sale investment		**(10,000)**	—
Net cash flows used in investing activities		**(15,657)**	(35,412)

	Notes	2014 USD'000	2013 USD'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of share issue expenses		—	59,333
Capital element of hire purchase arrangements payments		**(352)**	(486)
Net proceeds from bank borrowings		**20,359**	3,314
Dividends paid		**(9,858)**	—
Interest paid		**(539)**	(70)
Net cash flows from financing activities		**9,610**	62,091
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(20,057)**	29,001
Cash and cash equivalents at beginning of year		**30,748**	1,861
Effect of foreign exchange rate changes, net		**(261)**	(114)
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	**10,430**	30,748

Statement of Financial Position

31 December 2014

	Notes	2014 USD'000	2013 USD'000
NON-CURRENT ASSETS			
Investments in subsidiaries	14	**45,997**	45,965
CURRENT ASSETS			
Prepayments		—	61
Due from subsidiaries	14	—	9,858
Cash and cash equivalents		**3**	3
Total current assets		**3**	9,922
NET CURRENT ASSETS		**3**	9,922
Net assets		**46,000**	55,887
EQUITY			
Issued capital	26	**1,934**	1,934
Reserves	27	**44,066**	44,095
Proposed final dividend	28	—	9,858
Total equity		**46,000**	55,887

Li Yang
Director

Li Xiaolan
Director

1. CORPORATE INFORMATION

CAA Resources 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 2014, the Company and its subsidiaries (together, the "Group") were 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 as well as investment holding.

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is Cosmo Field, which is incorporated in the BVI.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention. These financial statements are presented in 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 2014. 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (CONTINUED)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]

1 Effective from 1 July 2014

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

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014

2 Effective for annual periods beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2018

5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

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. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

2.3 NEW AND REVISED IFRSS AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (CONTINUED)

IFRS 15 establishes a new five-step model that will apply to 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. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured 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).

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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. 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 the consideration transferred, the amount recognised for non-controlling interests and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (CONTINUED)

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.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (CONTINUED)

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.

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.

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); and

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

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 are stated at cost less any impairment losses, and are 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 licenses, 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gain 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (CONTINUED)

Available-for-sale financial investments (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the 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.

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 pay.

Impairment of financial assets

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (CONTINUED)

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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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 and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, and 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 and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices 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.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (CONTINUED)

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.

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 investment 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (CONTINUED)

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, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 of the Group's subsidiaries 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 are 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 independent administered fund.

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 related service is performed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 proposed by the directors are classified as a separate allocation of retained earnings within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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 and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (CONTINUED)

The functional currencies of certain overseas subsidiaries are currencies other than USD. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss is 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 requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or 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 2014 was USD7,779,000 (2013: USD8,271,000). There was no impairment provision for goodwill during the two years ended 31 December 2014 and 2013. Further details are given in note 16.

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 2014 and 2013.

(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 2014 was USD27,335,000 (2013: USD26,896,000).

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (CONTINUED)

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to be incurred to completion and disposal. These estimates are based on the current market condition and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in downstream industries that consume the Group's products. Management reassesses these estimates at the end of each reporting period. The carrying amount of inventories as at 31 December 2014 was USD2,804,000 (2013: USD5,583,000).

(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 2014 was USD303,000 (2013: USD281,000).

(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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (CONTINUED)

Estimation uncertainty (CONTINUED)

(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 2014 was USD297,000 (2013: USD341,000). Further details are contained in note 24 to the financial statements.

(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. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the values of service rendered.

During the year ended 31 December 2014, the Group's revenue and contribution to profit are mainly derived from its sale of iron ore products and other commodities including steam coal and copper cathodes, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Accordingly, no segment analysis is presented other than entity-wide disclosures.

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures

Information about products and services

The following table sets forth the total revenue from external customers from sales of products and the rendering of services during the year:

	2014 USD'000	2013 USD'000
Sales of goods:		
Iron ore products	134,311	107,873
Steam coal	15,110	—
Copper cathodes	2,883	—
	152,304	107,873
Rendering of services	—	2,499
	152,304	110,372

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.

	2014 USD'000	2013 USD'000
Domestic – Malaysia*	—	2,499
Overseas – The People's Republic of China	152,304	107,873
	152,304	110,372

* Place of domicile of the Group's principal subsidiary, Capture Advance.

At the end of the reporting period, except for certain motor vehicles and office furniture located in Hong Kong and Mainland China with respective net carrying amounts of USD173,000 (2013: USD214,000) and USD464,000 (2013: Nil), all of the Group's non-current assets were located in Malaysia.

4. REVENUE AND OPERATING SEGMENT INFORMATION (CONTINUED)

Entity-wide disclosures (CONTINUED)

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:

	2014 USD'000	2013 USD'000
Customer A	**90,722**	18,084
Customer B	**61,582**	78,435

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 USD'000	2013 USD'000
Interest on bank loans	**598**	2
Interest on hire purchase arrangements	**58**	68
Unwinding of discount on provision (note 25)	**22**	21
	678	91

6. PROFIT BEFORE TAX

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

	Notes	2014 USD'000	2013 USD'000
Cost of inventories sold		**136,928**	66,913
Cost of services provided		**—**	2,350
Employee benefit expense (including directors' and chief executive's remuneration (note 7)):			
Wages and salaries		**1,523**	1,583
Pension scheme contributions			
– Defined contribution scheme		**32**	32
Welfare and other benefits		**72**	52
Total employee benefit expense		**1,627**	1,667
Depreciation	11	**2,119**	1,533
Amortisation of intangible assets	12	**34**	75
Depreciation and amortisation expenses		**2,153**	1,608
Minimum lease payments in respect of:			
Land		**43**	78
Machinery		**150**	164
Office		**230**	130
Auditors' remuneration		**426**	339
Listing fee expensed off		**—**	2,826
Gain on disposal of items of property, plant and equipment*		**(16)**	(45)
Interest income*		**(752)**	(6)
Dividend income from available-for-sale Investment*		**(1,800)**	—
Foreign currency losses, net**		**1,669**	1,294
Tax surcharges**		**634**	—

* These are included in "Other income and gain" 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.

7. 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 and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 USD'000	2013 USD'000
Fees	**116**	200
Other emoluments:		
Salaries, allowances and benefits in kind	**216**	9
Pension scheme contributions		
– Defined contribution fund	**6**	2
	222	11
	338	211

(a) Independent non-executive directors

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

	2014 USD'000	2013 USD'000
Mr. Kong Chi Mo	**29**	15
Dr. Li Zhongquan	**13**	10
Dr. Wang Ling	**13**	12
	55	37

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

7. 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
2014				
Mr. Li Yang [(i)]	**13**	**98**	**2**	**113**
Mr. Dong Jie	**10**	—	—	**10**
Mr. Gong Maoqing [(ii)]	**3**	—	—	**3**
Mr. Diao Dalin [(iii)]	**9**	**7**	—	**16**
Mr. Wang Er	**13**	**35**	**2**	**50**
Ms. Li Xiaolan	**13**	**76**	**2**	**91**
	61	**216**	**6**	**283**

	Fees USD'000	Salaries, allowances and benefits in kinds USD'000	Pension Scheme contributions USD'000	Total USD'000
2013				
Mr. Li Yang [(i)]	60	6	1	67
Mr. Dong Jie	10	—	—	10
Mr. Gong Maoqing [(ii)]	10	—	—	10
Mr. Wang Er	36	1	—	37
Ms. Li Xiaolan	47	2	1	50
	163	9	2	174

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (CONTINUED)

(b) Executive directors and the chief executive (CONTINUED)

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

(ii) Mr. Gong Maoqing retired by rotation at the Company's annual general meeting held on 30 April 2014, pursuant to the articles of association of the Company and did not offer himself for re-election as an executive director of the Company.

(iii) Mr. Diao Dalin was appointed as an executive director of the Company with effect from 30 April 2014, and resigned as an executive director with effect from 7 November 2014.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2013: Nil).

(c) Five highest paid employees

The five highest paid employees during the year included three (2013: two) directors (including the chief executive officer who is also executive director of the Company), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2013: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2014 USD'000	2013 USD'000
Salaries, allowances and benefits in kind	**263**	223
Pension scheme contributions	**2**	1
	265	224

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	
	2014	2013
Nil to HK dollar ("HKD")1,000,000	**1**	3
HKD1,000,001 to HKD1,500,000	**1**	—
	2	3

8. 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.

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 25% (2013: 25%) on the assessable profits generated during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the assessable profits arising in Hong Kong during the year.

The major components of income tax expense are as follows:

	2014	2013
	USD'000	USD'000
Group:		
Current – Charge for the year		
Hong Kong	**712**	4,975
Malaysia	—	468
Overprovision in prior years	**(28)**	—
Deferred (note 24)	**69**	16
Total tax charge for the year	**753**	5,459

8. INCOME TAX (CONTINUED)

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:

	2014 USD'000	2013 USD'000
Profit before tax	**2,959**	25,204
Tax at the statutory tax rate of 16.5%	**499**	3,490
Tax at the statutory tax rate of 25%	**(16)**	1,013
Tax losses not recognised (note 24)	**409**	36
Income not subject to tax	**(297)**	—
Adjustments in respect of current tax of prior years	**(28)**	—
Expenses not deductible for tax	**186**	920
Tax charge at the Group's effective tax rate	**753**	5,459

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2014 includes a total profit of USD2,000 (2013: a total loss of USD3,477,000) which has been dealt with in the financial statements of the Company (note 27).

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

0The calculation of the basic earnings per share amounts is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 1,500,000,000 (2013: 1,310,959,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. PROPERTY, PLANT AND EQUIPMENT

Group	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 2014						
Cost:						
At 1 January 2014	1,645	15,787	686	603	10,408	29,129
Additions	244	55	521	7	3,237	4,064
Transferred from/(to) CIP	1,000	1,951	—	—	(2,951)	—
Disposals	—	(6)	(87)	—	—	(93)
Exchange realignment	(105)	(1,044)	(42)	(30)	(595)	(1,816)
At 31 December 2014	2,784	16,743	1,078	580	10,099	31,284
Accumulated depreciation:						
At 1 January 2014	127	1,832	251	23	—	2,233
Provided for the year	271	1,643	154	51	—	2,119
Disposals	—	—	(82)	—	—	(82)
Exchange realignment	(25)	(265)	(28)	(3)	—	(321)
At 31 December 2014	373	3,210	295	71	—	3,949
Net carrying amount:						
At 1 January 2014	1,518	13,955	435	580	10,408	26,896
At 31 December 2014	2,411	13,533	783	509	10,099	27,335

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	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 2013						
Cost:						
At 1 January 2013	1,483	8,692	243	6	758	11,182
Additions	27	712	511	555	17,422	19,227
Transferred from/(to) CIP	235	7,455	—	42	(7,732)	—
Disposals	—	(462)	(47)	—	—	(509)
Exchange realignment	(100)	(610)	(21)	—	(40)	(771)
At 31 December 2013	1,645	15,787	686	603	10,408	29,129
Accumulated depreciation:						
At 1 January 2013	45	896	33	5	—	979
Provided for the year	90	1,145	278	20	—	1,533
Disposals	—	(41)	(33)	—	—	(74)
Exchange realignment	(8)	(168)	(27)	(2)	—	(205)
At 31 December 2013	127	1,832	251	23	—	2,233
Net carrying amount:						
At 1 January 2013	1,438	7,796	210	1	758	10,203
At 31 December 2013	1,518	13,955	435	580	10,408	26,896

Motor vehicles and machinery with an aggregate net carrying amount amounting to USD1,321,000 (2013: USD1,025,000) were held under hire purchase arrangements entered into by the Group (note 23) at 31 December 2014.

A motor vehicle with net carrying amount of USD464,000 (2013: Nil) was held under custody of Chengdu Hande as at 31 December 2014. The largest shareholder of Chengdu Hande is the father of Mr. Li Yang, the controlling shareholder of the Group.

As at 31 December 2014, the gross carrying amount of fully depreciated assets that are still in use totalled USD323,000 (2013: USD294,000).

12. MINING RIGHTS AND RESERVES

Group

	2014 USD'000	2013 USD'000
Cost:		
At 1 January	**16,118**	17,267
Exchange realignment	**(972)**	(1,149)
At 31 December	**15,146**	16,118
Accumulated amortisation:		
At 1 January	**118**	44
Provided for the year	**34**	75
Exchange realignment	**—**	(1)
At 31 December	**152**	118
Net carrying amount:		
At 1 January	**16,000**	17,223
At 31 December	**14,994**	16,000

13. PAYMENTS IN ADVANCE

	2014 USD'000	2013 USD'000
Prepayments for acquisition of 60% equity interests in a company (note 31(e))	**15,100**	15,100
Prepayments for purchase of property, plant and equipment	**65**	1,613
	15,165	16,713

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 USD'000	2013 USD'000
Unlisted investment, at cost*	—	—
Advances to subsidiaries	**45,997**	45,965
	45,997	45,965

* The cost of the investment in Capture Advantage is HKD500.

As at the end of the reporting period, the amounts due from subsidiaries were unsecured and interest-free. As at 31 December 2014, the amounts from subsidiaries are not expected to be received within 12 months from the end of the year. As at 31 December 2013, except for amounts due from subsidiaries totalling USD9,858,000, which were repayable on demand, the remaining amounts due from subsidiaries of USD45,965,000 were not expected to be received within 12 months from the end of the year.

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2014, all subsidiaries are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation 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
Capture Advance	Malaysia	RM15,000,000	100	Iron ore mining and iron ore beneficiation
Pacific Mining	Malaysia	RM100	100	Iron ore mining and iron ore beneficiation
China Bright Mining Limited	Hong Kong	HKD100	100	Purchase and sale of iron ore products and trading of commodities
Capture Bukit Besi	Malaysia	RM2	100	Investment holding
3W Development Limited	Hong Kong	HKD10,000	100	Investment holding

15. AVAILABLE-FOR-SALE INVESTMENT

Group

	2014 USD'000	2013 USD'000
Unlisted equity investment, at cost	**10,000**	—

The unlisted equity investment represented the Group's investment in Fortune Union Financial Holdings (Asia Pacific) Limited, particulars of which are set out in the Company's announcement dated 16 May 2014. It is stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that its fair value cannot be measured reliably. The Group does not intend to dispose of the investment in the near future.

16. GOODWILL

Group

	USD'000
Cost and net carrying amount at 1 January 2013	8,838
Exchange realignment	(567)
Cost and net carrying amount at 31 December 2013 and 1 January 2014	8,271
Exchange realignment	(492)
Cost and net carrying amount at 31 December 2014	7,779

16. GOODWILL (CONTINUED)

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 discount rate applied to the cash flow projections is 15% (2013: 16.6%). The growth rate used to extrapolate the cash flows of the iron ore cash-generating unit beyond the five-year period is 3% (2013: 3%).

Assumptions were used in the value in use calculation of the iron ore cash-generating unit for the years ended 31 December 2014 and 2013. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Production and Sales volume – production and sales volumes are expected to increase from approximately 0.35 million tons in 2014 to approximately 1.9 million tons in 2018 as production is expanded up to existing capacity. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines 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 price – 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 in the year immediately before the budget year and estimated market prices.

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

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

In the opinion of the Company's directors, (i) a decrease in the budgeted gross margins by 10% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately USD8,112,000 and (ii) a decrease in the sales volume by 30% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately USD4,145,000. Any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

17. INVENTORIES

	Group	
	2014	2013
	USD'000	USD'000
Raw materials	**197**	33
Work in progress	—	131
Finished goods	**2,607**	5,419
	2,804	5,583

18. TRADE RECEIVABLES

	Group	
	2014	2013
	USD'000	USD'000
Trade receivables	**36,289**	8,097
Irrevocable letter of credit	—	4,289
	36,289	12,386

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 deposit 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.

18. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2014	2013
	USD'000	USD'000
Within 3 months	**24,113**	12,386
3 to 4 months	**12,176**	—
	36,289	12,386

At the end of the reporting period, all trade receivables were neither past due nor impaired.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2014	2013
	USD'000	USD'000
Other receivables	**163**	213
Prepayments to a mining subcontractor	**3,477**	6,123
Dividend receivable	**1,800**	—
Other prepayments and deposits	**589**	2,697
	6,029	9,033

20. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2014	2013
	USD'000	USD'000
Cash and bank balances	**15,409**	31,737
Less: pledged deposits *	**(4,979)**	(989)
Cash and cash equivalents	**10,430**	30,748

* As at the end of the reporting period, bank deposits of USD4,979,000 (2013: USD989,000) were pledged to secure short-term bank loans granted to the Group (note 23).

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

	Group	
	2014	2013
	USD'000	USD'000
Cash and bank balances denominated in:		
HKD	**10,329**	17,583
RM	**14**	623
USD	**5,066**	13,531
	15,409	31,737

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.

21. TRADE PAYABLES

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

	Group	
	2014	2013
	USD'000	USD'000
Within 3 months	**2,739**	2,654
3 to 6 months	**9**	—
6 months to 12 months	**167**	—
Over 1 year	**10**	—
	2,925	2,654

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

22. OTHER PAYABLES AND ACCRUALS

	Group	
	2014	2013
	USD'000	USD'000
Other payables	**2,222**	811
Accruals	**958**	241
Payroll and welfare payable	**103**	142
	3,283	1,194

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

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2014 Effective interest rate (%)	2014 Maturity	2014 USD'000	2013 Effective interest rate (%)	2013 Maturity	2013 USD'000
Current						
Bank loans – secured (note (a))	**2.32-3.73**	**2015**	**22,861**	3.10-3.14	2014	3,314
Bank loans – unsecured (note (d))	**2.49-5.22**	**2015**	**817**	—	—	—
Hire purchase arrangements (note (b))	**2.36-6.90**	**2015**	**532**	2.36-6.90	2014	479
			24,210			3,793
Non-current						
Hire purchase arrangements (note (b))	**2.36-6.90**	**2016-2020**	**284**	2.36-6.90	2015-2019	692
			24,494			4,485

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Analysed into:

	2014 USD'000	2013 USD'000
Bank loans repayable:		
Within one year	**23,673**	3,314
Hire purchase arrangements repayable:		
Within one year	**537**	479
In the second year	**173**	403
In the third to fifth years, inclusive	**100**	283
In the sixth year	**11**	6
	821	1,171
	24,494	4,485

Notes:

(a) As at 31 December 2014, the bank loans of the Group were secured by the pledged bank balances of USD4,979,000 (2013: USD989,000) (note 20).

(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 six years. As at 31 December 2014, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles and machinery acquired with an aggregate carrying amount of USD1,321,000 (2013: USD1,025,000) (note 11).

(c) During the year, the Group entered into hire purchase arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of USD72,000 (2013: USD857,000).

(d) As at 31 December 2014, bank loans of USD817,000 (2013: nil) of China Bright Mining Limited, an indirect wholly-owned subsidiary of the Company, were guaranteed by the Company at nil consideration.

(e) Except for the hire purchase arrangements which were denominated in Ringgit Malaysia, all borrowings are in United States dollars.

23. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

At 31 December 2014, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

Group

	Minimum lease payments 2014 USD'000	Minimum lease payments 2013 USD'000	Present value of minimum lease payments 2014 USD'000	Present value of minimum lease payments 2013 USD'000
Amounts payable:				
Within one year	563	531	532	479
In the second year	182	430	173	403
In the third to fifth years, inclusive	104	298	100	283
In the sixth year	12	7	11	6
Total minimum hire purchase payments	861	1,266	816	1,171
Future finance charges	(40)	(95)		
Total net hire purchase payables	821	1,171		
Portion classified as current liabilities	(537)	(479)		
Non-current portion	284	692		

Management has assessed that the fair values of the above interest-bearing bank and other borrowings approximate to their carrying amounts. The fair value measurement hierarchy of the above interest-bearing bank and other borrowings requires significant observable inputs (Level 2).

24. DEFERRED TAX

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

Group

Deferred tax assets

	Fair value adjustments arising from acquisition of subsidiaries	Tax losses and unabsorbed capital allowances	Total
	USD'000	USD'000	USD'000
At 1 January 2013	74	322	396
Deferred tax charged to profit or loss during the year (note 8)	(29)	—	(29)
Exchange differences	(5)	(21)	(26)
At 31 December 2013 and 1 January 2014	40	301	341
Deferred tax charged to profit or loss during the year (note 8)	(22)	—	(22)
Exchange differences	(3)	(19)	(22)
At 31 December 2014	15	282	297

The Group has tax losses arising in Malaysia of USD1,825,000 (2013: USD189,000) (note 8) that are available indefinitely for offsetting against future taxable profits of the company 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.

24. DEFERRED TAX (CONTINUED)

Group

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Depreciation allowance in excess of related depreciation	Total
	USD'000	USD'000	USD'000
At 1 January 2013	4,125	—	4,125
Deferred tax credited to profit or loss during the year (note 8)	(13)	—	(13)
Exchange differences	(287)	—	(287)
At 31 December 2013 and 1 January 2014	3,825	—	3,825
Deferred tax charged/(credited) to profit or loss during the year (note 8)	(3)	50	47
Exchange differences	(243)	—	(243)
At 31 December 2014	3,579	50	3,629

25. PROVISION FOR REHABILITATION

	Group	
	2014	2013
	USD'000	USD'000
At the beginning of year	**281**	260
Unwinding of discount (note 5)	**22**	21
At the end of year	**303**	281

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% (2013: 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 be increased each year by the accretion of interest due to the passage of time which is recognised as interest expense.

26. SHARE CAPITAL

Shares

	2014 USD'000	2013 USD'000
Authorised:		
3,000,000,000 (2013: 3,000,000,000) ordinary shares of HK$0.01 each	**3,867**	3,867
Issued and fully paid:		
1,500,000,000 (2013: 1,500,000,000) ordinary shares of HK$0.01 each	**1,934**	1,934

27. RESERVES

Group

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

On 18 July 2011 and 25 June 2012, the Group acquired additional 19% and 30% of the non-controlling interests in Pacific Mining, respectively. The differences between the considerations and net assets attributable to the additional shares acquired were accounted for in capital reserve.

On 13 March 2012, Capture Acme Co., Ltd. (whose sole shareholder was the father of the controlling shareholder of the Group) was de-registered and accordingly the payable to Capture Acme Co., Ltd. by the Group for USD981,000 was reversed and recognised as capital reserve.

On 6 August 2012, the Group and Chengdu Hande agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged the Group's liability and obligation in respect of debts in full amounting to USD13,074,000 as at 31 July 2012 and recognised as capital reserve.

27. RESERVES (CONTINUED)

Group (CONTINUED)

(c) Contributed surplus

On 23 August 2010, Capture Advantage was incorporated in the BVI with the issue and allotment of 50,000 ordinary shares with par value of USD1. Pursuant to the reorganisation of the Group in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, which was completed on 7 April 2013, the Company became the holding company of the companies comprising the Group by way of share swaps with the existing shareholders of Capture Advantage. Accordingly, the issued capital of USD50,000 was recognised in the contributed surplus in the consolidated financial statements.

Company

The movements of the Company's reserves for the current year are as follows:

	Share premium account USD'000	Accumulated losses USD'000	Exchange fluctuation reserve USD'000	Total USD'000
At 1 January 2013	—	—	—	—
Total comprehensive income/(loss) for the year	—	(3,477)	31	(3,446)
Capitalisation of share premium	(1,451)	—	—	(1,451)
Issue of shares	62,355	—	—	62,355
Share issue expenses	(3,505)	—	—	(3,505)
Proposed 2013 final dividend	(9,858)	—	—	(9,858)
At 31 December 2013 and 1 January 2014	47,541	(3,477)	31	44,095
Total comprehensive income/(loss) for the year	—	2	(31)	(29)
At 31 December 2014	47,541	(3,475)	—	44,066

28. DIVIDENDS

(a) Dividends attributable to the year

At a meeting of the directors held on 23 March 2015, the directors do not recommend a final dividend for the year ended 31 December 2014.

(b) Dividends attributable to the previous financial year, declared and paid during the year

	USD'000
Final dividend in respect of the financial year ended 31 December 2013 of HK5.1 cents per share	
Declared during the year	9,858
Paid during the year	(9,858)
	—

29. CONTINGENT LIABILITIES

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

30. OPERATING LEASE ARRANGEMENTS –THE GROUP AS LESSEE

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

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

	2014	2013
	USD'000	USD'000
Within one year	**252**	192
In the second to fifth years, inclusive	**162**	353
	414	545

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30 above, the Group had the following commitments at the end of the reporting period:

(a) Capital commitments

	2014	2013
	USD' 000	USD' 000
Contracted, but not provided for	**8,710**	9,297
Authorised, but not contracted for	**58,338**	62,906
	67,048	72,203

(b) Other commitments – mining fee

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

(c) Other commitments – service fee

Pursuant to the mining sub-contract in relation to Ibam Mine entered into between the Group and the mining contractor, a third party, which has become effective from 18 December 2010 and continues to be effective until the expiry of the mining lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the mining sub-contract, the mining contractor shall mine and produce a minimum of 100 thousand tonnes of clean iron ore per month and shall crush the iron ore to a specified size before delivery to the Group. The service fee for the mining contractor is calculated based on (i) the volume of iron ore extracted multiplied by a fixed rate of RM36 per tonne; and (ii) the volume of crushing works multiplied by a fixed rate of RM14 per tonne. In the event that the Group provides the mining contractor with the necessary machinery or equipment for its works, the fixed rate of payment shall be reduced to RM25 per tonne of iron ore extracted and RM10.2 per tonne of crushing works.

31. COMMITMENTS (CONTINUED)

(d) Other commitments – monthly payable to original shareholders of Gema Impak

On 20 March 2013, Norhayati Binti Talib, Bazira Binti Bakar and Mohd. Norhisham Bin Mohamed Hashim (the "Original Shareholders") of Gema Impak and the Company's subsidiary, Pacific Mining, have agreed to an arrangement (the "Protection Enhancement Arrangement") which 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.

The Original Shareholders shall make best endeavours in providing assistance and cooperation in respect of Gema Impak's renewal of the mining lease and the relevant licences and dealing with governmental authorities, which are related to Ibam Mine.

Pacific Mining paid a monthly payment, being RM50,000 in total per month (the "Monthly Payment"), to the Original Shareholders since March 2013 until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the mining agreement 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 Original Shareholders and Pacific Mining.

During the year, the Original Shareholders disposed of the interests in Gema Impark to Impian Sri Bintang Sdn. Bhd. ("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 50% shareholding interest in Gema Impak as nominee for the Transferee and the Transferee would take such actions and do all things necessary to ensure that Pacific Mining shall be accorded with the same rights and obligations under the Protection Enhancement Arrangement; and (ii) upon completion of the disposal, the Transferee shall be accorded with the same rights and obligations of the Original Shareholders under the Protection Enhancement Arrangement.

31. COMMITMENTS (CONTINUED)

(e) Other commitments – proposed acquisition of 60% equity interests in a company

On 3 October 2013, Capture Bukit Besi, an indirect wholly-owned subsidiary of the Company, entered into a MOU with independent third parties, Mr. Ng Chon Aik ("Mr. Ng") and Mr. Lin Siew Wan ("Mr. Lin"), in relation to the proposed acquisition of 60% equity interests in Red Sun Resources.

Pursuant to the MOU, Capture Bukit Besi agrees to (i) conduct the exploration and/or prospecting activities at Bukit Besi and to obtain a report based on the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves indicating the iron ore reserves at Bukit Besi. The aggregate costs to be incurred by Capture Bukit Besi in respect of these matters shall not exceed USD5.0 million; (ii) to repair roads, build dam(s) and construct pond(s) at Bukit Besi and the aggregate costs to be incurred by Capture Bukit Besi shall not exceed USD6.0 million; and (iii) upon execution of the MOU and subject to the terms and conditions thereof, Mr. Ng shall procure the approvals from the relevant authorities to be issued to Red Sun for the purpose of undertaking the project. In consideration of Mr. Ng procuring the approvals, Capture Bukit Besi agrees to pay to Mr. Ng or such other party as may be instructed by Mr. Ng the deposit, being an aggregate sum of USD10.0 million. The total consideration for the acquisition and/or subscription of shares of 60% equity interests in Red Sun shall be an amount to be mutually agreed by the parties to the MOU. All costs and the deposit incurred pursuant to above clauses shall be deemed to be part of the consideration payable for the acquisition and/or subscription by Capture Bukit Besi of the 60% equity interests in Red Sun. As at 31 December 2014, the Group has paid USD15,100,000 (note 13) regarding the proposed acquisition.

32. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel of the Group:

	2014 USD'000	2013 USD'000
Short term employee benefits	**433**	390
Total compensation paid to key management personnel	**433**	390

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include cash and cash equivalents, trade receivables and prepayments, deposits and other receivables, and available-for-sale investments which arise directly from its operations. Financial liabilities of the Group mainly include interest-bearing bank and other borrowings, 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. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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

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 customers operate. During the year, the Group generated its revenue from the sales of iron ore products and other commodities to the steel manufacturers and/or their respective purchase agents in China. In this regard, the Group is exposed to the concentration of credit risk in the steel industry.

At 31 December 2014, the Group had a concentration of credit risk as all of the Group's trade receivables were due from the Group's two largest customers.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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.

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

	2014					
	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	—	23,592	771	286	12	24,661
Trade payables	177	2,748	—	—	—	2,925
Other payables	2,644	—	—	—	—	2,644
	2,821	26,340	771	286	12	30,230

	2013					
	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	—	3,492	353	728	7	4,580
Trade payables	—	2,654	—	—	—	2,654
Other payables	811	—	—	—	—	811
	811	6,146	353	728	7	8,045

33. 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 of the 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
2014		
If the US dollar weakens against RM	**5**	**1,444**
If the US dollar strengthens against RM	**(5)**	**(1,444)**
2013		
If the US dollar weakens against RM	5	1,751
If the US dollar strengthens against RM	(5)	(1,751)

Fair values

Fair value estimates are made at a specific point in time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amounts of the Group's financial instruments approximated to their fair values at the end of the reporting period due to the short term to maturity.

33. 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. 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, net of cash and bank balances and it excludes liabilities incurred for working capital purposes.

As at 31 December 2014, the gearing ratio was 8.7%. As at 31 December 2013, no gearing ratio was presented because the Group's cash and bank balances exceeded the total interest-bearing bank and other borrowings.

34. EVENT AFTER THE REPORTING PERIOD

On 27 January 2015, 3W Development Limited, a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with independent vendors (the "Vendors") in relation to the proposed acquisition of partial issued share capital of a company incorporated in the Cayman Islands, which together with its subsidiaries is principally engaged in internet finance in the PRC.

Under the memorandum of understanding, the Vendors shall not negotiate or agree with any other party relating to the proposed acquisition for a period of 120 days (the "Exclusive Period") from the date of the memorandum of understanding. The memorandum of understanding does not create legally binding obligations on the parties in relation to the proposed acquisition but is legally binding as to such terms relating to the Exclusive Period. The proposed acquisition is subject to the negotiation and execution of a formal sale and purchase agreement between the parties. Further details are included in the Company's announcement dated 27 January 2015.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 23 March 2015.

Summary of Financial Information since Incorporation

Financial results	For the year ended 31 December				For the period from 23 August 2010 to 31 December
(USD'000)	2014	2013	2012	2011	2010
Continuing operations					
REVENUE	**152,304**	110,372	54,323	27,220	6,865
Cost of sales	**(136,928)**	(69,263)	(32,247)	(19,570)	(6,201)
Gross profit	**15,376**	41,109	22,076	7,650	664
Other income	**2,576**	52	4	169	—
Selling and distribution expenses	**(7,605)**	(8,500)	(4,641)	(3,888)	(535)
Administrative expenses	**(4,136)**	(6,052)	(2,862)	(1,955)	(215)
Other expenses	**(2,574)**	(1,314)	(169)	(92)	(30)
Finance costs	**(678)**	(91)	(51)	(33)	—
Profit/(loss) before tax from continuing operations	**2,959**	25,204	14,357	1,851	(116)
Income tax expense	**(753)**	(5,459)	(3,953)	(651)	—
Profit/(loss) for the year/period from continuing operations	**2,206**	19,745	10,404	1,200	(116)
Discontinued operations					
Profit for the year/period from discontinued operations	—	—	—	1,120	—
Profit/(loss) for the year/period	**2,206**	19,745	10,404	2,320	(116)
Other comprehensive income					
Exchange differences on translation of foreign operations	**(1,409)**	(1,532)	858	(833)	—
Other comprehensive income for the year/period	**(1,409)**	(1,532)	858	(833)	—
Total comprehensive income for the year/period, net of tax	**797**	18,213	11,262	1,487	(116)
Profit/(loss) for the year/period attributable to:					
Owners of the Company	**2,206**	19,745	10,419	2,407	(116)
Non-controlling interests	—	—	(15)	(87)	—
	2,206	19,745	10,404	2,320	(116)
Total comprehensive income for the year/period attributable to:					
Owners of the Company	**797**	18,213	11,279	1,570	(116)
Non-controlling interests	—	—	(17)	(83)	—
	797	18,213	11,262	1,487	(116)

Summary of Financial Information since Incorporation

Assets and Liabilities	As at 31 December				
(USD'000)	**2014**	2013	2012	2011	2010
Non-current Assets	**75,570**	68,221	36,660	30,320	30,026
Current Assets	**60,531**	58,739	5,736	990	3,030
Total Assets	**136,101**	126,960	42,396	31,310	33,056
Non-current Liabilities	**(4,216)**	(4,798)	(4,811)	(4,483)	(4,333)
Current Liabilities	**(36,792)**	(18,008)	(10,977)	(25,536)	(28,919)
Total Liabilities	**(41,008)**	(22,806)	(15,788)	(30,019)	(33,252)
Non-controlling interests	—	—	—	(138)	(130)
Equity attributable to owners of the Company	**95,093**	104,154	26,608	1,429	(66)

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 that were adopted on 12 April 2012
"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
"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. 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 32 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
"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
"Esperance Mine"	the mine located in Lot 27124, Bukit Ibam, Mukim Keratong, Daerah Rompin, Pahang, Malaysia and is near the Ibam Mine and the mining lease of which is held by Esperance Mining Sdn. Bhd., a company incorporated in Malaysia on 5 October 2004 and is an Independent Third Party
"Gema Impak"	Gema Impak Sdn. Bhd., a company incorporated in Malaysia on 4 December 2006 with Pacific Mining holding 50% shareholding interest in Gema Impak as nominee for the original shareholders on a pro-rata basis pursuant to the Protection Enhancement Arrangement

Glossary

"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
"Hua Heng"	Hua Heng Investments Limited (華恆投資有限公司), a company incorporated in the BVI with limited liability on 23 March 2012, and which is wholly owned by Mr. Yang Jun, 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
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 3 July 2013
"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
"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
"Mercuria"	Mercuria Energy Trading Pte. Ltd., a company incorporated in the Republic of Singapore engages in global trading of crude oil and refined oil products
"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
"pelletizing"	a process to compress the iron ore into the shape of a pellet
"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

Glossary

"Project Ibam"	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement
"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
"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)"	holder(s) of Shares
"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
"Target Company" or "Fortune Union (Asia Pacific)"	Fortune Union Financial Holdings (Asia Pacific) Limited, a company incorporated in the Cayman Islands with limited liability
"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

Mr. Dong Jie

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

AUTHORISED PERSON TO ACCEPT SERVICE OF PROCESS AND NOTICE UNDER PART XI OF THE COMPANIES ORDINANCE

Mr. Li Yang

Mr. Chu Lok Fung Barry

COMPANY SECRETARY

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

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As to Malaysian law:

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STOCK CODE

02112