CAA Resources Limited
優庫資源有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The Group's revenue reached approximately USD1,240.7 million, representing 125.5% higher than USD550.2 million recorded in the year of 2015.

- The sales volume of iron ore products, on dry basis, for 2016 was approximately 18,727 Kt, representing 124.6% higher than 8,338 Kt recorded in 2015.

- The Group's gross profit reached approximately USD13.7 million, approximately 8.1% lower than the approximately USD14.9 million recorded in year of 2015.

- Profit for the year ended 31 December 2016 increased by 616.7%, from approximately USD0.6 million for the year ended 31 December 2015 to approximately USD4.3 million for the year ended 31 December 2016.

- The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2016.

- Basic earnings per Share for the year ended 31 December 2016 was USD0.29 cents (2015: USD0.04 cents).

* *For identification only*

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2016 ("the year under review") together with the comparative figures for the year ended 31 December 2015 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2016

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

The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2016.

Consolidated Statement of Financial Position
31 December 2016

	Notes	**2016** *USD'000*	2015 *USD'000*
Non-current assets			
Property, plant and equipment		**4,816**	5,936
Mining rights and reserves		**11,782**	12,308
Prepayments, deposits and other receivables	11	**–**	15,335
Available-for-sale investments	9	**23,884**	18,000
Goodwill		**6,172**	6,427
Deferred tax assets		**232**	242
Total non-current assets		**46,886**	58,248
Current assets			
Inventories		**–**	21,855
Trade receivables	10	**91,918**	46,075
Prepayments, deposits and other receivables	11	**19,055**	11,479
Pledged deposits		**11,044**	5,302
Cash and cash equivalents		**74,922**	27,664
Total current assets		**196,939**	112,375
Current liabilities			
Trade payables	12	**24,268**	15,303
Other payables and accruals		**52,707**	1,314
Interest-bearing bank and other borrowings	13	**33,715**	35,485
Tax payable		**5,802**	7,294
Total current liabilities		**116,492**	59,396
NET CURRENT ASSETS		**80,447**	52,979
Total assets less current liabilities		**127,333**	111,227

	Notes	**2016** *USD'000*	2015 *USD'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	13	**23**	74
Senior notes	14	**20,213**	–
Other payables and accruals	15	**–**	13,887
Deferred tax liabilities		**4,193**	2,968
Provision for rehabilitation		**353**	327
Total non-current liabilities		**24,782**	17,256
Net assets		**102,551**	93,971
Equity			
Equity attributable to owners of the Company			
Issued capital	16	**1,934**	1,934
Reserves		**100,617**	92,037
Total equity		**102,551**	93,971

Notes to Financial Statements
31 December 2016

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

In the opinion of Directors, 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 International Financial Reporting Standards ("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 and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale equity investments which have been measured at fair value. These financial statements are presented in USD and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

Year ended 31 December 2016

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

Year ended 31 December 2015

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

Entity-wide disclosures

Geographical information

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

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

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

Information about major customers

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

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

* Less than 10%

4. REVENUE

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

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. PROFIT BEFORE TAX

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

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

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

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

7. INCOME TAX EXPENSE

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

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

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

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

The major components of income tax expense are as follows:

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

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

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

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

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

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

9. AVAILABLE-FOR-SALE INVESTMENTS

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

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

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

10 TRADE RECEIVABLES

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

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

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

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

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

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

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

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

Notes:

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

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

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

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

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

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

12. TRADE PAYABLES

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

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

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

Analysed into:

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

Notes:

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

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

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

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

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

(e) Except for the hire purchase arrangements which were denominated in RMB, all borrowings were denominated in USD.

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

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

14 SENIOR NOTES

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

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

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

15 OTHER PAYABLES AND ACCRUALS

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

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

Outstanding balances with related parties:

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

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

16. SHARE CAPITAL

Shares

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

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

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

In 2016, although the total demand for iron ore in China dropped slightly, as the production output of iron ore in China also dropped, the total quantity of iron ore imports still increased. According to the figures, the pig iron production output of China was approximately 691 Mt in 2016 and consumption of iron ore was 1,092 Mt, which was about the same as the previous year. In 2016, iron ore arrivals by sea to China reached a record 1,017.79 Mt and the figure was 972.28 Mt in 2015, representing an increase of approximately 4.68%. Chinese market's dependence on iron ore imports rose from 84% in 2015 to 87.3% in 2016.

Market Outlook

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

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

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

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

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

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

BUSINESS AND OPERATIONS REVIEW

Major operating results

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

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

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

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

The sales analysis for the Group is as follows:

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

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

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

Project Ibam

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

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

In light of the market conditions, the Group did not purchase additional beneficiation lines or crushing lines during the year under review. As at 31 December 2016, the Group had a total of 5 beneficiation lines (2015: 5), and a total of 2 crushing lines (2015: 2), the annual mining volume of Project Ibam reached 175.9 Kt (2015: 67 Kt). Project Ibam accounted for about 0.1% of the Group's total revenue (2015: 0.5%).

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

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

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

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

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

Business Strategies

Iron ore business

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

Disclosure pursuant to Rule 13.21 of the Listing Rules

On 20 September 2016, the Company as issuer, entered into a subscription agreement with an independent third party institution (the "Subscriber") pursuant to which the Company agrees to issue and the Subscriber agrees to subscribe for the subscription notes ("Notes") in the principal amount of HK$164,865,750 with a final redemption date falling 18 months after the date of issue. Pursuant to the terms of the Notes, it will be an event of default if, among others, (i) Mr. Li Yang ("Mr. Li", the chairman and Controlling Shareholder of the Company) fails to remain the Controlling Shareholder (as defined in the Listing Rules) of the Company; or (ii) Mr. Li ceases to be the chairman of the Company. Upon and at any time after the occurrence of an event of default, the Subscriber may give notice to the Company that one or more of the Notes shall become immediately due and repayable with all accrued interests. As at the date of this announcement, the Company has been paying interest for the Notes punctually and expects to settle the principal upon expiry of the 18-month term. For further details, please refer to the announcement dated 20 September 2016.

Mr. Li Yang and his father have provided guarantee with respect to the Notes for which the Group is not required to provide any consideration. The aforesaid guarantees are fully exempted connected transactions.

Other investments and business development

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

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

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

FINANCIAL REVIEW

Revenue

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

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

Cost of Sales

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

Gross Profit and Margin

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Other Expenses

During the year, the Group's other expenses reached approximately USD3.5 million, about 62.8% lower than the approximately USD9.4 million in the year of 2015. The decrease was mainly due to the decrease in loss on disposal of property, plant and equipment for the amount of USD0.1 million (2015: USD3.3 million), and the decrease in foreign exchange loss to USD1.1 million from USD5.5 million recorded in 2015.

Finance Costs

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

SHAREHOLDER LOAN FROM CONTROLLING SHAREHOLDER TO COMPANY

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

Income Tax Expenses

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

Profit for the Year

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

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

Total Comprehensive Income Attributable to Owners of the Company

Total comprehensive income attributable to owners of the Company increased by 473.9%, from approximately USD2.3 million loss for the year ended 31 December 2015 to approximately USD8.6 million gain for the year ended 31 December 2016. The increase was greater than the percentage increase in profit for the year, which was due to foreign exchange loss arising from translation of foreign operations of approximately USD0.2 million (2015: USD2.9 million) as a result of drop of RM against USD and that an increase in fair value of available-for-sale investment for the amount of USD4.4 million recorded during the year (2015: nil).

ANNUAL GENERAL MEETING

The AGM notice of the Company will be despatched in accordance with Listing Rules in due course.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

Cash and Cash Equivalents

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

Detailed cash flow analysis is as follows:

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

Net Cash Flows used in Operating Activities

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

Net Cash Flows from/(used) in Investing Activities

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

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities increased by 98.8%, from approximately USD25.8 million for the year ended 31 December 2015 to approximately USD51.3 million for the year ended 31 December 2016. The increase is primarily due to cash inflows from financing activities which were mainly included the proceeds from an interest-free and unsecured borrowings from Cosmo Field (the Company's Controlling Shareholder) of approximately USD50.0 million as at 31 December 2016 which increased to USD60.0 million in January 2017, and proceeds from issuance of senior notes of approximately USD20.0 million, please refer to announcement dated 20 September 2016 for details.

Trade Receivables

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

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

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables which are accounted for as current portion increased by 66.1% from approximately USD11.5 million as at 31 December 2015 to approximately USD19.1 million as at 31 December 2016, primarily due to the USD8.5 million from Wanyuntong was classified as current asset since it is repayable within one year as at 31 December 2016.

Trade Payables

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

Net Current Assets Position

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

Borrowings

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

Contingent Liabilities

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

Foreign Currency Risk

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

The Group's businesses are located in Malaysia and its operating transactions are conducted in RM. Most of its assets and liabilities are denominated in RM, except for certain payables to professional parties and administrative expenses in the Hong Kong office that are denominated in HKD, and the bank loans obtained that are denominated in USD. The Group has not entered into any hedging transaction to manage the potential fluctuation in foreign currencies. The following table demonstrates the sensitivity at the end of each of the relevant periods to a reasonably possible change in the RM exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

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

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

Pledge of Assets

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

Contractual Obligations

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

Capital Expenditure

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

Gearing Ratio

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

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

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

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

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

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

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

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

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

EMPLOYEES AND EMOLUMENT POLICIES

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

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

ACQUISITIONS AND INVESTMENTS IN PROGRESS

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

CORPORATE GOVERNANCE

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 during the year ended 31 December 2016 except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and Chief Executive Officer of the Company. 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.

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 throughout the year ended 31 December 2016.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

CHANGE OF DIRECTOR DURING 2016

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

ROTATION OF DIRECTORS

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www. hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to Shareholders of the Company and available on the above websites in due course.

AUDIT COMMITTEE

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control and risk management system of the Group, and to make proposals to the Board as to the appointment, re-appointment and removal of the Company's independent auditors and the related remuneration and appointment terms. The Audit Committee has reviewed the accounting standards and practices adopted by the Group and discussed with the management about the internal control and financial reporting matters.

REVIEW OF ANNUAL RESULTS

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Glossary

"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"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

"CG Code"	Code on Corporate Governance Practices set out in Appendix 14 of 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 announcement 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
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules, and in the context of this announcement 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
"Director(s)"	the director(s) of the Company
"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

"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
"indicated resources"	part of the iron ore resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code
"inferred resource"	part of the iron ore resource for which tonnage, grade and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"iron ore products"	the products produced from our iron ore crushing and beneficiation facilities in the form of iron ore concentrates and iron ore fines
"JORC"	the Australasian Joint Ore Reserves Committee
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"Kt"	thousand tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"L/C"	documentary letter of credit
"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
"measure resource"	mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity
"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
"Mt"	million tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"probable reserves"	the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined
"Project Ibam"	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement
"Prospectus"	the prospectus dated 20 June 2013 issued by the Company in connection with the Global Offering and the Listing
"proved reserves"	the economically mineable part of a measured mineral resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined
"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
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Hong Kong Companies Ordinance

"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "USD"	United States dollars, the lawful currency of the United States
"%"	per cent

By Order of the Board
CAA Resources Limited
Li Yang
Chairman and Chief Executive Officer

Hong Kong, 24 March 2017

As at the date of this announcement, the executive Directors are Mr. Li Yang, Ms. Li Xiaolan, Mr. Wang Er, Ms. Xu Mijia, and the independent non-executive Directors are Mr. Kong Chi Mo, Dr. Li Zhongquan and Dr. Wang Ling.

Company website: www.caa-resources.com