CAA Resources Limited
優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code： 02112

* For identification only

2019
Annual Report

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FINANCIAL AND OPERATING HIGHLIGHTS

	Notes	**2019 USD'000**	2018 USD'000	% Change
Result				
Revenue		**1,055,195**	1,447,008	-27.1
(Loss)Profit attributable to owners of the Company		**(57,110)**	2,534	2,353.7
Financial Position				
Trade receivables		**217,959**	205,093	+6.3
Total interest-bearing bank and other borrowings		**54,683**	40,953	+33.5
Total interest-bearing notes and bonds		**40,872**	37,287	+9.61
Trade payables		**10,292**	1,953	+427.0
Total assets		**276,362**	302,617	-8.7
Total current assets		**243,976**	214,657	+13.7
Total current liabilities		**182,270**	146,487	+24.4
Key Financial Ratios		**2019**	2018	Difference
Performance				
Gross profit margin		**1.10%**	1.27%	-0.17%
Net (loss)profit margin	1	**(5.41)%**	0.18%	-5.59%
Return on assets	2	**(20.66)%**	0.84%	-21.50%
Operating				
Inventory turnover days	3	**–**	–	–
Debtors' turnover days	4	**73**	50	+23
Creditors' turnover days	5	**2**	4	-2
Liquidity and Gearing				
Current ratio	6	**1.3**	1.5	-0.2
Gearing ratio	7	**63.2%**	47.5%	+15.7 percentage points
Per share data				
Net assets per share (US cents)		**6.03**	10.19	
Basic (loss)earnings per share (US cents)		**(3.81)**	0.17	
Proposed final dividend (US cents)		**–**	–	

FINANCIAL AND OPERATING HIGHLIGHTS

	2019	2018	Difference
Operating Statistics			
Number of crushing line owned and operated as at 31 December	**2**	2	–
Number of beneficiation line owned and operated as at 31 December	**5**	5	–
Actual ore mining volume (Kt) for the year ended 31 December	**583.3**	124.6	N.A.
Actual ore crushing volume (Mt) for the year ended 31 December	**0.28**	0.04	N.A.
Actual ore beneficiation volume (Mt) for the year ended 31 December	**0.20**	0.03	N.A.
Ore production volume (Kt) for the year ended 31 December	**196.4**	30.0	N.A.

Note:

1. Net (loss)/profit margin is calculated by dividing (loss)/profit for the year by revenue.

2. Return on assets represents the net (loss)/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 are calculated by dividing the average of the opening and closing balances of inventories for the relevant year by cost of sales and then multiplied by the number of days in the relevant 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 current assets to total current liabilities.

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

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of CAA Resources Limited, I am pleased to present the 2019 annual report to the Shareholders.

Owing to the continuing plunge of the world economy, the intensifying standoff in trade relations, and the interweaving of downward pressure and negative factors, global trade has stumbled out of the gate in 2019. With the rise of unilateralism and protectionism, the escalation of trade frictions, the repercussions of Brexit, the hike in non-tariff measures, the unbalanced development of the digital economy, the tense atmosphere of the geopolitical environment, the climate change crisis and the wrangle that ensues the reformation of the World Trade Organisation, the international trade is struggling onwards with great burden.

In 2019, the major supplier of iron ore, the Vale SA has temporarily suspended its operation due to the collapse of its water dam. Together with the hurricane in Australia and the derailing accident of BHP Billiton, the price of iron ore surged up to 140%. However, with the Vale SA resumed its production, the price of iron ore goes down quickly. Having considered the above factors, we deem that it would not be a smart move to resume the operation of the IBAM mine without adequate market demand. Therefore, mining activities were operated at a limited scale, with the mining volume and the production volume being at 583.3 thousand metric tonnes and 196.4 thousand metric tonnes respectively. We are still devoting ourselves in bulk commodities trading of iron ore, crude oil and non-ferrous metals.

The Group's management team has always given top priority to the enhancement of the shareholders' interests. Amidst the complicated and volatile international trade environment, with the diminish of profits from trade and the expiration of a few loans, we have downsized our business operation and placed our focus on bulk commodities trading of iron ore, crude oil and non-ferrous metals. During 2019, our revenue reached USD1,055.2 million, which is a drop of 27.1% comparing to that of USD1,447.0 million in 2018. During 2019, we recorded a gross profit of approximately USD11.6 million, which is a 37% decrease comparing to that of 2018.

CHAIRMAN'S STATEMENT

The outlook of the world economy in 2020 is not optimistic under the impact of the COVID-19. For the purpose of surmounting this challenge and ensuring the Group's sustainable development, we are seeking a third party in a relevant industry to be introduced as a strategic partner with the Group.

Lastly, on behalf of all members of the Board, I would like to take this opportunity to convey our sincere gratitude to the management and our staff for their hard work and contribution. I would also like to thank our investors, bankers, and business partners for their unfailing trust and support all along.

Li Yang
Chairman and Chief Executive Officer

Hong Kong, 30 July 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS DEVELOPMENT

The Company acts as an investment holding company, and its principal business activities are iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products and other commodities, and investment holding. There were no significant changes in the nature of the Group's principal activities during 2019 (the "Year"). The primary mining asset of the Group is the iron-ore reserves in Ibam Mine, which is located in the State of Pahang, Malaysia.

In order to develop the Group's revenue source, the proportion of crude oil trade increased significantly during the year. In addition, the crude oil trade became the largest source of revenue during the year due to the relatively higher volume of trade and higher value of each shipment. During the financial year, iron ore prices surged by nearly 140% due to unexpected factors such as a dam breakage at the geographical location of a major supplier of iron ore, Vale, a hurricane in Australia and a BHP Billiton train derailment accident. But the iron ore prices quickly fell back subsequent to the resume of operation by the major supplier of iron ore. In view of the above reasons, the Group did not consider it advisable to fully resume operations at the Ibam mine without the support of adequate market demand. As a result, only limited production activities were carried out during the year, and the recorded mining volume and production volume were 583.3 Kt and 196.4 Kt respectively (2018: 124.6 Kt and 30.0 Kt respectively).

Impacted by the spread of novel coronavirus, it is expected that the global economy will be faced by a lot of challenges. In order to overcome these challenges and maintain a long-term sustainable development of the Group, the management is also actively looking for third parties related to the industry, with a view to introducing new strategic partners for the Group. Further information will be disclosed to the public through announcement if there are any progress.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW AND OUTLOOK

With the global economy moving on a downward trend, the outbreak of coronavirus and the continuous US-China trade war, economy development of the country is facing with tremendous pressure. The financial market is constantly changing and the business environment of the Group is becoming increasingly difficult. In addition, with the recent impact of novel coronavirus pandemic, there has been trend of overdue payments from customer.

On a forward looking note, in order to overcome these challenges and maintain a sustainable development of the Group, the management is actively looking for third parties related to the industry, with a view to have new strategic partners investing to the Group. Further information will be disclosed to the public through announcement if there are any progress.

The iron ore commodity price fluctuated upward in the first half of year 2019, which are mainly caused by shortage of supply in the market due to the incident of dam breakage in the geographical location of a major supplier and causes a temporary stopping of operation. However, the iron ore commodity price fell back to the normalised price in the second half of year 2019 after the major supplier resume operation. The iron ore Platts Index fluctuated by 75% during the financial year. With the lowest price of USD72.35/tonne at the beginning of the year. Also, during first half of the year 2019, iron ore prices has been continued trending upward since November 2018, rising until early July, peaking at USD126.35/ton. Subsequent to that, iron ore prices fluctuate downward since July 2019, stabilising at around USD90/tonne, close at the price where they were at in end of March 2019.

As part of the efforts to develop new sources of revenue, the crude oil trade became the main source of revenue for the Group during the year. Revenue from the crude oil trade increased substantially, mainly due to the relative increase in the volume of trade and value of each shipment. Due to the intense competition in international crude oil prices, the gross profit margin remained at a low level.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS & OPERATIONS REVIEW

Project Ibam operation update

The Group's principal mining site is Project Ibam. 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.

The tenure of the Mining Lease with respect to Ibam Mine which had been expired on 15 December 2018, have been extended for another two years expiring on 15 December 2020 ("Extended Term"). Best endeavors 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 further details, please refer to the announcement of the Company dated 25 January 2019.

As at 31 December 2019, the Group owned 5 beneficiation lines and 2 crushing lines. During the year under Review, the Group focused on commodities trading and only limited mining and production activities were carried out. The annual mining volume and production volume were 583.3 Kt and 196.4 Kt respectively (2018: 124.6 Kt and 30.0 Kt respectively).

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

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change
Mining Volume	**583.3 Kt**	124.6 Kt	+368.1%
Production Volume	**196.4 Kt**	30.0 Kt	+554.7%

Operating Results

During the year, the Group has scaled down its operations due to continuous weakening of profitability in trading business, also with the maturity of several debts.

In 2019, the Group recorded revenue of USD1,055.2 million (2018: USD1,447.0 million), representing a decrease of USD391.8 million or 27.1% compared with the same period of the previous year. The sales volume of iron ore products decreased by 73.7% to approximately 1,708 Kt on dry basis (2018: approximately 6,501 Kt). The products sold had an average iron ore grade of 62.0% (2018: 62.0%). During the year, the average selling price of the Group's iron ore products on dry basis was USD96.1per tonne (2018: USD70.8 per tonne). Crude oil sales amounted to 7,112,000 barrels, up 30.3% from the 5,458,000 barrels recorded in 2018. Due to intense price competition, the Group's gross margin as a whole decreased to 1.10% (2018: 1.27%).

Profitability and Impairment Loss on Trade and Other Receivables

Profitability for the year decreased by 2,384%, recording at a loss for the year of USD57.1 million (2018: profit of USD2.5 million), with loss per share of 3.81 US cents (2018: earnings per share of 0.17 US cents). The decreased in profitability was mainly due to the impairment loss recognized on trade and other receivables during the year ended 31 December 2019 in the sum of approximately USD14.2 million as a result of PRC customers' financial difficulties under the challenging economic environment which is due to, among others, the impact of coronavirus as well as increased in impairment loss on remeasurement of assets held for sales of approximately USD31.6 million. There was also increase in finance costs of the Group.

The Sales analysis for the Group is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change
Sales Revenue	**USD1,055,195,000**	USD1,447,008,000	–27.1%
– Iron Ore	**USD164,087,000**	USD460,434,000	–64.4%
– Other Commodities	**USD891,108,000**	USD986,574,000	–9.7%
Sales Volume (dry basis)			
– Iron Ore	**1,708,000 tonnes**	6,501,000 tonnes	–73.7%
– Other Commodities	**922,000 tonnes**	387,000 tonnes	+138.2%
– Petroleum products	**7,112,000 barrels**	5,458,000 barrels	+30.3%
Gross Profit	**USD11,580,000**	USD18,385,000	–37.0%
Gross Profit margin	**1.10%**	1.27%	–0.17 percentage points

FINANCIAL REVIEW

PROFIT AND OTHER COMPREHENSIVE INCOME

Revenue

During the year, the Group's revenue reached approximately USD1,055.2 million, about 27.1% lower than that recorded in 2018, which was USD1,447.0 million. The decrease in revenue was mainly due to the decrease in iron ore sales.

Cost of sales

During the year ended 31 December 2019, the Group's cost of sales reached approximately USD1,043.6 million, about 26.9% lower than approximately USD1,428.6 million recorded in 2018. Cost of sales mainly included the cost of purchasing crude oil, iron ore products and other commodities for trading activities. The iron ore production cost during the period was USD11.1 million (2018: USD1.7 million).

Gross profit

During the year ended 31 December 2019, the Group's gross profit reached approximately USD11.6 million, about 37.0% lower than approximately USD18.4 million recorded in 2018. The decrease in gross profit was mainly due to the weak overall demand in the commodity market and the decrease in the sales volume.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other expenses

During the year ended 31 December 2019, the Group's administrative and other expenses reached approximately USD5.3 million, about 20.9% lower than approximately USD6.7 million recorded in 2018. The decrease was mainly due to decrease in legal and professional fee and depreciation.

Finance costs

During the year ended 31 December 2019, the Group's finance costs reached approximately USD18.3 million, up 81.2% from the USD10.1 million recorded in 2018. The increase was mainly due to interest expense incurred on additional loan and existing outstanding bank loans and interest expense on senior notes. No notional interest expense incurred for shareholder loan from Cosmo Field (the Controlling Shareholder) during the year. Please refer to note 11 to the Notes to Financial Statements for further details.

Income tax expenses

The Group recorded approximately USD0.2 million income tax expense during the year.(2018: USD0.7 million).

Loss for the year

The loss for the year ended 31 December 2019 was USD57.1 million (2018: profit of approximately USD2.5 million). Loss for the year was mainly due to the increase of expected credit loss arising from impairment of trade and other receivables, the decrease of gross profit of sales, increase of finance costs and the increase in impairment loss on remeasurement of assets held for sale.

Total comprehensive loss for the year

Total comprehensive loss for the year ended 31 December 2019 was approximately USD62.3 million, approximately USD4.9 million for the year ended 31 December 2018. The total comprehensive loss in the year under review was mainly due to the fair value of approximately USD5.3 million (2018: USD8.5 million) of the equity investments measured at fair value through other comprehensive incomes, foreign exchange gains from overseas operations of approximately USD0.1 million (2018: USD0.4 million losses in 2018) and loss for the year ended 31 December 2019 of USD57.1 million (2018: profit of USD2.5 million).

Trade receivables

The Group's trade receivables increased by 6.3% from approximately USD205.1 million as at 31 December 2018 to approximately USD218.0 million as at 31 December 2019, which was mainly due to the increase in trade receivables turnover days. Trade receivable turnover days were approximately 73 days (2018: 50 days).

Major customers were granted credit on open account basis or allowed to settle by documentary letter of credit. 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.

As of 31 December 2019, the Group had made provision of impairment loss amounted to approximately USD12.5 million against overdue trade receivables in accordance with accounting standards, as reviewed by management.

Prepayments, deposits and other receivables

As at 31 December 2019, the Group's prepayments, deposits and other receivables amounted to approximately USD7.6 million (2018: approximately USD9.4 million). The decrease was mainly due to the provision of impairment loss amounted to approximately USD1.7 million for certain other receivables in accordance with accounting standards.

Trade payables

Trade payables mainly consists of payables to suppliers for purchase of iron ore products and other commodities for trading activities. The Group's trade payables amounted to approximately USD10.3 million as at 31 December 2019 and approximately USD2.0million as at 31 December 2018. The increase in trade payables was mainly due to extension of credit term granted by trade payables.

Net current assets position

The Group's net current assets decrease during the year, from net current assets of approximately USD68.2 million as at 31 December 2018 to net current assets of approximately USD61.7 million as at 31 December 2019. The decrease was mainly due to an increase of approximately USD3.6 million in notes and bonds as current liabilities, an increase of approximately USD13.7 million in interest-bearing bank loan and other borrowings, an increase of approximately USD8.3 million in trade payables and an increase of USD10.2 million in other payables and accrued expenses.

Borrowings

As at 31 December 2019, the Group's borrowings consisted mainly of:(i) a loan of approximately USD36.5 million due to a commercial bank; (ii) a loan of approximately USD18.2 million; and (iii) notes and bond amounting to USD40.9 million which included the note with the principal of USD20.4 million and the note with the principal of USD18.0 million, and the bond with the principal of USD2.5 million.

As at 31 December 2019, the Company also owed shareholder loans of USD60.0 million (2018: USD60.0 million) from Cosmo Field (the Controlling Shareholder) which were interest-free and unsecured.

As disclosed in the announcement dated 20 January 2020 and 14 February 2020 and 19 May 2020, there were claims/purported claims against the Company and/or Mr. Li Yang, which amounted to default and cross-default of the aforesaid borrowings which have become immediately repayable.

LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2019 was approximately USD90.5 million (31 December 2018: USD152.8 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. Primary uses of funds during the year included payment of iron ore and other commodities purchased and operating expenses. As at 31 December 2019, current assets of approximately USD244.0 million primarily comprised USD218.0 million of trade receivables, USD7.6 million of prepayments, deposits and other receivables, and USD0.1 million of cash and cash equivalents. Current liabilities of approximately USD182.3 million mainly comprised USD10.3 million of trade payables, USD12.6 million of other payables and accruals, USD54.7 million of interest-bearing bank and other borrowings, USD40.9 million of notes and bond payable, USD0.01 million of lease liability, and USD3.7 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.3 as at 31 December 2019 (2018: 1.5).

As at 31 December 2019, the Group had certain interest-bearing bank and other borrowings of USD54.7 million in total (2018: USD41.0 million). The bank and other borrowings were mainly used to finance the issuance of letter of credit and working capital of the Group.

Cash and Cash Equivalents

Cash and cash equivalents of the Group in 2019 decreased by approximately USD0.8 million compared to 2018.

Detailed cash flow analysis is as follows:

	For the year ended 31 December	
	2019	2018
	USD'000	USD'000
Cash and cash equivalents in the consolidated statement of cash flows at beginning of year	**183**	2,085
Net cash (used in)/from operating activities	**(8,500)**	18,949
Net cash flows from investing activities	**1,608**	8,693
Net cash flows from/(used in) financing activities	**6,799**	(29,543)
Net decrease in cash and cash equivalents	**(93)**	(1,901)
Effect of foreign exchange rate changes, net	**12**	(1)
Cash and cash equivalents at end of year	**102**	183

Net cash flows (used in)/from operating activities

The Group's net cash flows from operating activities changed from approximately USD19.0 million inflow for the year ended 31 December 2018 to outflow of approximately USD8.5 million for the year ended 31 December 2019. It consists primarily of a pre-tax loss of USD56.9 million and cash outflows mainly due to an increase of approximately USD12.9 million in trade receivables and an increase of approximately USD8.3 million in trade payables, offset by an decrease of approximately USD1.8 million in prepayments, deposits and other receivables.

Net cash flows from investing activities

The Group's net cash flows from investing activities decrease by 81.5%, from inflow of approximately USD8.7 million for the year ended 31 December 2018 to inflow of approximately USD1.6 million for the year ended 31 December 2019. It mainly consists of interest collected of approximately USD1.6 million.

Net cash flows from/(used in) financing activities

The net cash flows from the Group's financing activities changed from an outflow of approximately USD29.5 million for the year ended 31 December 2018 to an inflow of approximately USD6.8 million for the year ended 31 December 2019. It consists mainly of USD17.9 million in new bank loans and USD2.5 million in bond issued during the year. The repayment of notes was reduced from USD3.9 million for the year ended 31 December 2018 to USD3.0 million for the year ended 31 December 2019. The interest paid was reduced from USD10.6 million for the year ended 31 December 2018 to USD5.9 million for the year ended 31 December 2019. As a result, there is a net cash flows from financing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

LEGAL PROCEEDINGS

As disclosed in the announcements dated 20 January 2020, the board of directors of CAA Resources Limited (the "Company", together with its subsidiaries, collectively, the "Group") was informed by Mr. Li Yang ("Mr. Li"), an executive director, chairman and chief executive officer of the Company that he had received a writ of summons taken out by Oversea-Chinese Banking Corporation Limited ("OCBC") against Mr. Li at the High Court of Hong Kong (the "High Court Action"). The High Court Action was related to a loan (the "OCBC Loan") advanced by OCBC to China Bright Industries Limited, a subsidiary of the Company, in which Mr. Li (as the guarantor) failed to fulfil his obligation as guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC Loan (the "Breach"), and the Breach will trigger cross defaults of other borrowings and loans of the Group. The aforesaid legal proceeding is still ongoing.

As disclosed in the announcement dated 14 February 2020, a statutory demand dated 4 February 2020 (the "Statutory Demand") under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) was served on the Company by I-Access Investors Limited (the "I-Access") to demand the Company to pay the alleged outstanding debt in the amount of HK$21,019,178.08 (the "Debt") within 21 days after the date of the Statutory Demand to pay the Debt. The Company has been in negotiation with I-Access over the solution.

As disclosed in the announcement dated 18 May 2020, the Company was informed by Mr. Li Yang ("Mr. Li"), an executive director, chairman and chief executive officer of the Company, and by Cosmo Field Holdings Limited ("Cosmo Field"), the controlling shareholder of the Company, that they had received a writ of summons dated 15 May 2020 taken out by Industrial Bank Co., Limited ("Industrial Bank") against Cosmo Field and Mr. Li at the High Court of Hong Kong (the "High Court Action"). The High Court Action was related to a loan (the "Industrial Bank Loan") advanced by Industrial Bank to Cosmo Field, for which Mr. Li was the guarantor. Pursuant to the High Court Action, Industrial Bank brought claim against Cosmo Field and Mr. Li with respect to the default (the "Default") in repayment of the Industrial Bank Loan in the amount of US$45,059,154.85. Cosmo Field has pledged 752,000,000 shares (representing 50.13% of all issued shares of the Company) in favour of Industrial Bank as security for the Industrial Bank Loan. Cosmo Field has lent the principal amount of the Industrial Bank Loan being US$40,000,000 ("Shareholder Loan") to the Company as an interest-free loan, and Industrial Bank is entitled to claim against the Company for the repayment of the Shareholder Loan pursuant to the assignment of loan as part of security arrangement for the Industrial Bank Loan whereby Cosmo Field has assigned the rights under the Shareholder Loan to Industrial Bank. The Group believes that the Default will trigger cross-defaults of other borrowings and loans of the Group. The board of the Company is of the view that the Default will cause material adverse effect on the operation of the Group. The aforesaid legal proceeding is still ongoing.

As disclosed in the announcement dated 18 May 2020, the Company, as the defendant, received a writ of summons dated 13 May 2020 (the "Writ of Summons") issued in the District Court of Hong Kong by the solicitors acting for Capital Financial Press Limited as the plaintiff (the "Plaintiff"), against the Company. As at the date of this report, the Company and the Plaintiff have reached settlement and the Plaintiff will not further pursue claim against the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF AUDITORS

Reference is made to the announcement of the Company dated 14 May 2020 and 29 June 2020 in relation to the change of the auditors of the Group (the "Auditor Announcement(s)"). Prism CPA Limited has been appointed as the Company's auditor with effect from 29 June 2020 and as at the date of this annual report. For details of resignation of Graham Y. H. Chan & Co. and appointment and resignation of ZHONGHUI ANDA CPA Limited, please refer to the Auditor Announcements.

CAPITAL STRUCTURE

The Group is currently funding its capital expenditure through internal funds generated from its operations, bank borrowings, notes and bond issued and loan from Cosmo Field. 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 Cosmo Field, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the equity shareholders of the Company and non-controlling interest.

The Group's gearing ratio as at 31 December 2019 was 63.2% (31 December 2018: 47.5%).

The Group continued to conduct its operational business mainly in USD. The Group did not arrange any forward currency contracts for hedging purposes.

FOREIGN CURRENCY RISK

Save as disclosed in notes 7 to the Notes to Consolidated Financial Statements, as at 31 December 2019, the Group had no other foreign currency risk.

INTEREST RATE RISK

Save as disclosed in notes 7 to the Notes to Consolidated Financial Statements, as at 31 December 2019, the Group had no other interest rate risk.

CHARGE ON ASSETS

Save for trade receivables pledged for bank and other borrowing as disclosed in note 38 to the Financial Statements, the Group did not have any pledges on its assets as at 31 December 2019.

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 2019, the Group had 39 employees (2018: 49). For the year ended 31 December 2019, total staff cost including Directors' emolument amounted to approximately USD1.8 million (2018: USD1.8 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.

OTHER INFORMATION

RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 31 DECEMBER 2019

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 31 December 2019 *(Note)***:**

Classification	Quantity (Mt)	Fe Grade (%)
Measured	108	46.7
Indicated	–	–
Inferred	42	46.6
Total	150	46.6

Ore reserves of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 31 December 2019:

Classification	Quantity (Mt)	Fe Grade (%)
Proved	–	–
Probable	102	44.6

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During the year ended 31 December 2019, no exploration and development activities were carried out. The Group did not incur any investment in equipment upgrade during the year ended 31 December 2019.

During the year, mining volume and production volume were recorded 583.3 Kt and 196.4 Kt respectively. Mining activities was not fully resume operations during the year ended 31 December 2019.

CONTRACTUAL OBLIGATIONS

Save as disclosed in notes 36 and 37 to the Notes to Financial Statements, as at 31 December 2019, the Group had no material contractual obligations to disclose (31 December 2018: nil).

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure was USD1,000 (2018: USD2,000) mainly for acquisition of computers.

SIGNIFICANT ACQUISITIONS, DISPOSALS AND INVESTMENTS

The Group's acquisitions, disposals and investments under planning included (but are not limited to) the projects described in the section "Overview of business development" above. Save as disclosed herein, the Company does not have any future plan for significant acquisition, disposal and investment during the year and as at the date of this report.

RELATED PARTY TRANSACTIONS

Details of the related party transactions as stated in note 39 to the Notes to Financial Statements comprise: (i) an interest-free loans from Cosmo Field, the controlling shareholder of the Company, for the principal amount of USD60 million as at 31 December 2019, all of which are interest-free, security free and fully exempted connected transactions; (ii) compensation of key management personnel of the Group for the amount of USD0.8 million (2018: USD0.8 million); (iii) guarantees provided by Mr. Li Yang (chairman and controlling shareholder), his father and Cosmo Field.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

FINAL DIVIDEND

The Directors did not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

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 2019 except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and Chief Executive Officer of the Company which is further discussed in the section of "Chairman and Chief Executive Officer" in this corporate governance report.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct for dealing in securities by the Directors. Having made specific enquiry to all the Directors, all the Directors have confirmed that they had complied with the required standards set out in the Model Code for the year ended 31 December 2019.

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.

CORPORATE GOVERNANCE REPORT

As at 31 December 2019 and up to the date of this corporate governance report, the Board comprised four executive Directors and three independent non-executive Directors.

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

Independent Non-Executive Directors
Mr. Leung Yiu Cho
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 51 to 54 of this annual report. Ms. Li Xiaolan is the younger sister of Mr. Li Yang's father.

In compliance with Rules 3.10(1) and (2) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, who have represented at least one-third of the Board. Mr. Leung Yiu Cho, 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.

DELAY IN DESPATCH OF 2019 ANNUAL REPORT AND 2019 ANNUAL RESULTS

The Company has been granted a waiver from strict compliance of Rule 13.46(2)(a) and (b) of the Listing Rules. For details, please refer to the announcement dated 10 July 2020.

CHANGE OF DIRECTOR

There was not any change of director during the year under review.

CROSS-DIRECTORSHIP

The Company confirmed that none of the Directors of the Company held cross-directorship in other companies or bodies during the year and up to the date of this report.

ROTATION OF DIRECTORS

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

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 2019 are as follows:

	Board	Audit Committee	Nomination Committee	Remuneration Committee	AGM/EGM
Executive Directors					
Mr. Li Yang	5/5	N.A.	2/2	N.A.	1/1
Ms. Li Xiaolan	5/5	N.A.	N.A.	2/2	1/1
Mr. Wang Er	5/5	N.A.	N.A.	N.A.	1/1
Ms. Xu Mijia	5/5	N.A.	N.A.	N.A.	1/1
Independent non-executive Directors					
Mr. Leung Yiu Cho	5/5	5/5	N.A.	N.A.	1/1
Dr. Li Zhongquan	5/5	5/5	2/2	2/2	1/1
Dr. Wang Ling	5/5	5/5	2/2	2/2	1/1

Note: number of meeting attended is shown as numerator and total number of meetings a director eligible to attend and held is shown as denominator.

The Company confirmed that all independent non-executive Directors attended the general meetings either in person or by telephone conference if he was not able to attend the meeting physically.

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 180.

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

Audit Committee

The Company established an audit committee pursuant to a resolution of our Directors passed at a Board meeting on 12 April 2013 with effect upon the Listing. The primary duties of the Audit Committee include ensuring that an effective financial reporting and internal control system is in place and compliance of the Listing Rules, controlling the completeness of the Company's financial statements, selecting external auditor and assessing their independence and qualifications, and ensuring the effective communication between our external auditor. The Audit Committee comprises three Independent non-executive Directors, namely, Mr. Leung Yiu Cho (chairman of the Audit Committee), Dr. Wang Ling and Dr. Li Zhongquan.

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

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

The terms of reference for the Audit Committee have been revised in accordance with the Listing Rules and published on the Stock Exchange website on 1 January 2019.

The Company's and the Group's audited financial statements for the year ended 31 December 2019 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 2019, five committee meetings were held and the attendance records of individual members are set out below:

Name of Directors	**Number of meetings attended/held**
Mr. Leung Yiu Cho	5/5
Dr. Wang Ling	5/5
Dr. Li Zhongquan	5/5

CORPORATE GOVERNANCE REPORT

Remuneration Committee

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

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

For the year ended 31 December 2019, two committee meetings were held and the attendance records of individual members are set out below:

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

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 14 and 15 to the Notes to 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 2019, two committee meetings were held and the attendance records of individual members are set out below:

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

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

The Company has adopted new policy on nomination of Directors to ensure diversity of perspectives of Directors on 1 January 2019. The new policy on nomination requires explicitly that in assessing the suitability of a proposed candidate, merit and potential contributions that such candidate could bring to the Board should take reference on the Company's Board Diversity Policy. Such assessment should include but not limited to gender, age, cultural and educational background, ethnicity, professional experience, independence, skills, knowledge and length of service.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

For the year ended 31 December 2019, the fees paid and payable to Prism CPA Limited in respect of services rendered to the Group amounted to approximately USD129,000.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENT

It is the responsibility of the Board to present a balanced, clear and comprehensible assessment of the annual and interim reports, inside information announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as information required to be disclosed pursuant to applicable statutory requirements, such that they give a true and fair view of the state of affairs of the Group. The Board also confirms that the Company has an effective process for financial reporting and compliance with the Listing Rules.

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company. In preparing the financial statements for the Year, the Directors have, with sufficient information provided by the senior management for an informed assessment, selected appropriate accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable, and prepared the financial statements on a going concern basis (as the case may be). Material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern are disclosed in Note 2 to the consolidated financial statements.

In addition, Prism CPA Limited has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the year ended 31 December 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

During the year, the audit committee of the Company appointed Corporate Governance Professionals Limited ("CGPL"), an external firm of qualified accountants to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and

- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

Our Enterprise Risk Management Framework

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

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

Principal Risks

In the year of 2019, no material principal risks were identified by CGPL except for the following two areas of concern were considered to be of medium to high risk:

Risk of reducing business due to economic downturn or political environment

The Company's main business is the mining and sales of iron ore, and its customers are mainly steel plants. Steel production is closely related to the economic and political environment, so the Company's business will also be affected by changes in the economic cycle or political environment. Once the global economy is deteriorating or political factors are uncertain, steel demand may be reduced, which indirectly affects the Company's sales.

On the other hand, China has entered the overall economic downturn cycle in recent years, and the production capacity of products including steel has been surplus. Although China has tried to solve the problem through the "One Belt, One Road" and other plans, the effect is doubtful in the short term.

Actions taken by the Company

To resolve the operational risk as stated above, the Company has developed a well-established written policy to document the internal control procedures. The management will continue to monitor the daily operations. The Company would conduct regular internal control audits and risk assessments by engaging external internal control consultants.

For strategic risk arising from changing global economic and political environment, the management would keep their eyes on any relevant progress or changes in global and economic environment, and maintains a prudent development strategy, actively promotes diversified business development and diversifies income sources.

CORPORATE GOVERNANCE REPORT

Our Risk Control Mechanism

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

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

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

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

The Audit Committee has reviewed the internal control review and the enterprise risks assessment reports. Based on the controls in place as well as the ongoing improvements taken by management, is satisfied that there are effective and adequate internal controls in the Group. The Board is of the view that the Company has complied with the CG Code for the year ended 31 December 2019.

Disclosure of Inside Information

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

SHAREHOLDERS' RIGHTS

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

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

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS

To embrace best corporate governance principles and practice, the Group, as a listed company, emphasizes the importance of maintaining good communication with the Shareholders and investors, so as to increase the Company's transparency and undertaking by the Shareholders. The AGM provides a useful forum for Shareholders to exchange views with the Board, external auditor and the chairman of each of the Board committees attend the general meeting and are pleased to answer Shareholders' enquiries. Furthermore, to foster two-way communication amongst the Company, its Shareholders and potential investors, and to update them abreast of the latest industry updates, corporate communications and the Group's announcements and business development in a timely manner, the Company has 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 Unit 2413A, 24/F, Lippo Centre Tower One, 89 Queensway, Admiralty, 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.

DIVIDEND POLICY

The Company approved and adopted a dividend policy (the "Dividend Policy") effective from 1 January 2019.

The Company endeavours to strike a balance between maintaining sufficient working capital, developing and ensuring smooth running of the business of the Group, and sustainable returns to the shareholders of the Company ("Shareholders").

Under the Dividend Policy, the Company does not propose a pre-determined dividend payout ratio. Dividends may be declared as interim dividends, special dividends or proposed by the Board as final dividend from time to time. Dividends would be paid out of the Company's profits and other distributable reserves subject to the respective laws, rules and regulations of the respective jurisdictions governing the Group companies domiciled and the companies' own constitutions.

According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

a) the Group's actual and expected financial and business needs;

b) the Group's expected working capital requirements and future expansion plans;

c) the level of the Group's debts to equity ratio, return on equity ratio and the relevant financial covenant;

d) the restrictions on payments of dividends that may be imposed by the Group's lenders or other third parties, if any;

e) the Group's liquidity position;

f) the general economic conditions, business cycle of the Group's business and other internal and external factors that may have impact on the business or financial performance and position of the Group;

g) retained earnings and distributable reserves of the Company; and

h) other factors that the Board deems relevant and appropriate.

The declaration, payment, and amount of final dividends will be subject to the Board's discretion and the approval of the Shareholders.

The Board shall continue to review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the Dividend Policy at any time the Board thinks fit.

The Dividend Policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

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:

Unit 2413A, 24/F, Lippo Centre Tower One, 89 Queensway, Admiralty, Hong Kong

CHANGE OF AUDITOR IN LAST THREE YEARS

On 28 February 2018, in the shareholders meeting, the termination of the engagement of Ernst & Young as auditor of the Company and the appointment of Graham H. Y. Chan & Co. as the auditor of the Company were duly approved. For details, please refer to the circular dated 6 February 2018 and the poll results of the extraordinary general meeting held on Wednesday, 28 February 2018. On 14 May 2020, Graham H. Y. Chan & Co. resigned as auditor and ZHONGHUI ANDA CPA Limited was appointed as auditor. On 29 June 2020, ZHONGHUI ANDA CPA Limited resigned as auditor and Prism CPA Limited was appointed as auditor. Save as disclosed above, there was no change of auditor during the past three years.

CHANGES TO CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents for the year ended 31 December 2019.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE ESG REPORT

The Company is pleased to present its Environmental, Social and Governance ("ESG") Report (the "Report"). This Report herein focuses on providing an overview of the environmental and social aspects of the Group, and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

During the process of our preparation of this ESG Report, the Group has conducted thorough review and evaluation of the existing policies and practices. The ESG Report covers the period which is consistent with the financial year of our Annual Report of 2019. Unless otherwise stated, this Report covers the data of all operating units of the Group.

Report Scope and Boundary

The ESG Report is prepared in accordance with the selected global, local and industrial standards and best practices, which include, but not limited to, the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules and any applicable accounting and financial reporting standards in Hong Kong.

In order to comply with the disclosure requirement of the "comply or explain" provision, the ESG Report has outlined our overall performance in respect of environmental protection, human resources, operating practice and community involvement for the financial year of 2019.

This ESG Report has been approved by the Board of the Company on 30 July 2020.

Information and Feedbacks

For details in relation to our financial performance during the financial year of 2019, please visit our website or Annual Report. Your feedback and comments are important to us. Please send us an email addressed to enquiry@caamine.com if you have any queries on the ESG Report.

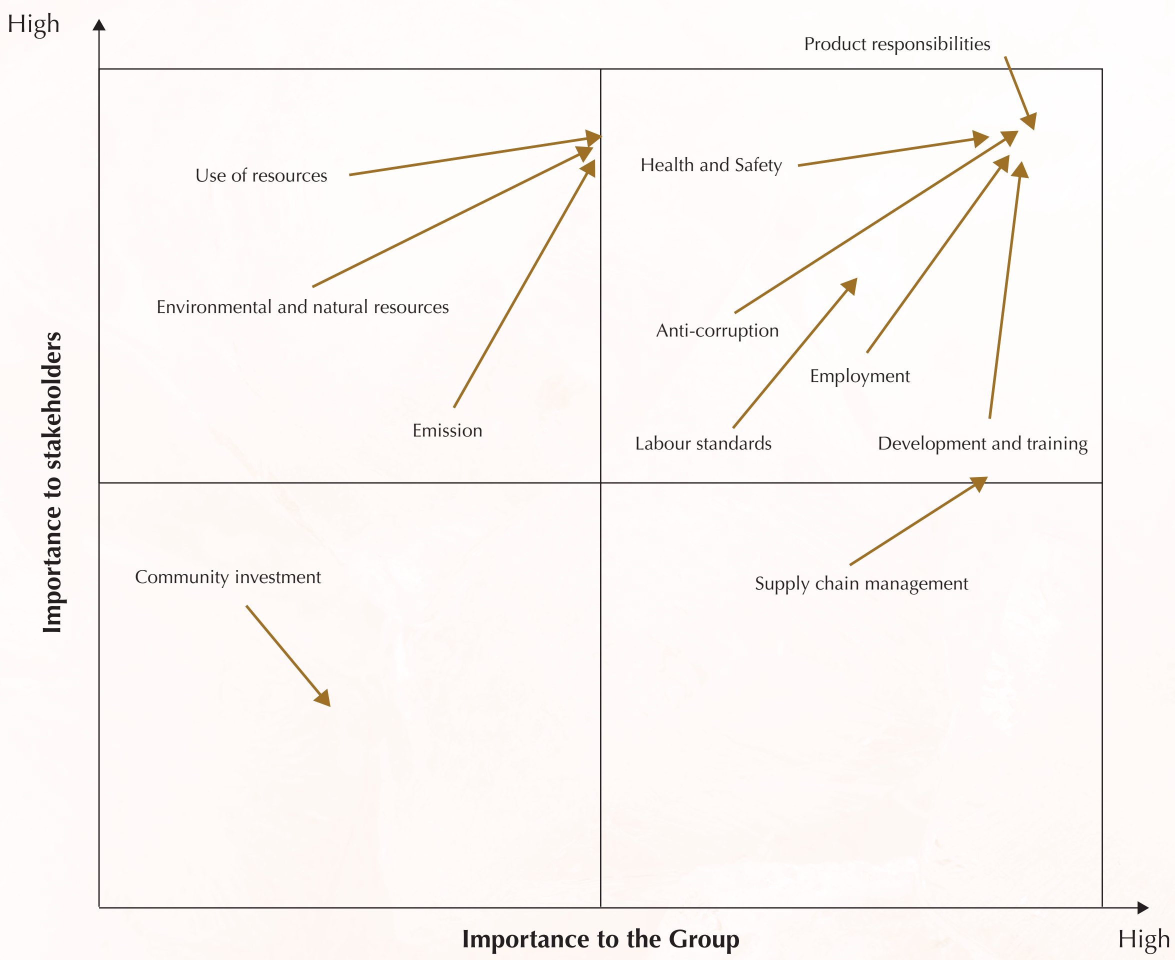
OUR STAKEHOLDERS

As stakeholders play a crucial role in sustaining the success of our business, we make use of various communication channels to understand and engage our stakeholders. The probable points of concern of the stakeholders and the way of our communication and responses are listed below.

Stakeholders	Possible points of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements.	Meetings, training, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Corporate governance system, business strategies and performance, investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, issue of financial reports or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, human right.	Issue of newsletters on the Company's website.
Suppliers	Payment schedule, and stable demand.	Performance of site visits.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	After-sales services.
Employees	Rights and benefits of employee compensation, training and development, work hours, and working environment.	Conducting union activities, training, interview with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

Materiality Assessment

During the financial year of 2019, the Group conducted a comprehensive materiality assessment on the environmental, social and governance related issues. This involved conducting interviews and/or surveys with internal and external stakeholders to identify areas having the most significant operating, environmental and social impacts towards our business. After integrating the grading results from the stakeholders with the sustainable development goals of the Group, the management of the Group summarized the issues in priority order and prepared the materiality matrix.



The results of the materiality assessment will be used to guide the Group in formulating future environmental, social and governance plans and objectives, in a bid to creating sustainable value for stakeholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL

Overview

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

In light of the uncertainties of world economies and fluctuating demand for iron ores, we focused on commodities trading and the mining and production activities were operated on a limited scale throughout the year of 2019. As such, the annual mining volume and production volume were 583.3 Kt and 196.4 Kt respectively. Due to limited mining activities in the financial year of 2019, the total amounts of emissions of air pollutants and greenhouse gas, use of resources, discharges into water and land, and generation of hazardous and non-hazardous waste were immaterial.

We comply with all relevant laws and regulations that are related to environmental protection in Hong Kong, China and Malaysia that have a significant impact on us, and are actively updating our "Green Policies" in order to incorporate the idea of sustainable development into our Group's day-to-day operations. We strive to manage our physical operations in an efficient and sustainable manner. We continually look for opportunities to improve our performance and corporate strategies to mitigate the adverse impact on the environment caused by our operations.

Compliance and Grievance

During the financial year of 2019, we comply with all relevant environmental laws and regulations that have a significant impact on us, including but not limited to, the Environmental Protection Law in China, and the Environmental Quality Act 1974 of Malaysia. No confirmed non-compliance incidents or grievances were noted by us in relation to environmental issues.

Emissions

The major types of pollutants created during open cut mining, blasting and scale of the mining operation are nitrogen oxides, carbon monoxide and dust. However, since we focused on commodities trading and the mining and production activities were operated on a limited scale throughout the year of 2019, the total amount of air emissions is minimal and immaterial, and thus, no data was recorded during the financial year of 2019.

The greenhouse gas ("GHG") emissions resulted mainly from four types of activities of the Group, including, but not limited to, vehicle uses with direct emissions, air-conditioning of the operating units with direct emissions, employees travelling by air with indirect emissions, and mining processes with direct emissions.

Motor vehicles

We own several cars for travelling of our management and picking up our guests or clients. However, transportation is not a material part of our business. Furthermore, all vehicles are under regular maintenance check to ensure fuel consumption efficiency and road safety with a view to keeping carbon dioxide emission from the vehicles at the minimum level.

Air-conditioning

Employees are encouraged to set offices' air-conditioners at a comfortable temperature and all unused air-conditioners are switched off. The Group has also put reminders at prominent places for employees' awareness of electricity consumption and energy conservation during office hours of business operations.

Travelling by air

In the financial year of 2019, the total number of business air trips by employees was 234 times (2018: 129 times) and the total CO_2 emissions were 34,752.12 kg (2018: 19,601.00 kg). Employees are only required to travel by air, when necessary, and, in most of the time, we arranged telephone or video conference calls rather than face-to-face meetings in order to reduce the carbon emissions that are indirectly caused by air travel.

The process of mining

Even though mining and production activities were operated on a limited scale throughout the financial year of 2019, we often fulfill our responsibility to protect, restore and treat the environment by implementing measures to reduce energy consumption and GHG emissions. The measures that we have taken are listed as follows:

1. The iron ore business minimizes the mining loss rate and dilution rate and maximizes the processing recovery rate by optimizing its mining methods and processing techniques, strengthening the management of on-site operations, and establishing strict technical standards for mining. Technologies are utilized to improve the extraction rate and recovery rate of mining, thus creating less impact on the environment.

2. In the case of happening of an accident, at the aftermath of the accident, we would investigate and analyze the cause, propose and implement remedial measures, and assess the effectiveness and impacts of the remedial measures on the environment with an aim to prevent any further impact the accident would cause to the environment, and also to avoid the occurrence of the accident.

3. We use diesel to run all equipment. Diesel consumption has been reduced by using diesel saving equipment. Equipment is required to be turned off when not in use so as to avoid unnecessary emission of pollutants into the air.

4. Water pool is used for the process of iron ore cleaning. It produces very little or almost no diesel fumes or dust, and thus, less pollutants are emitted into the air.

Use of Resources

We always endeavor to promote sustainability and aim to cease our resources wastage to provoke detrimental harm to the environment. Various measures have been implemented to attain the goal of efficient use of resources. These measures have been effectively communicated to all levels of staff, ensuring that all employees understand clearly the importance of conserving energy and making full use of the available resources during operations.

Since we focused on commodities trading for the financial year of 2019 and 2018, the consumption of water, electricity and other natural resources is minimal; the measures taken to minimize the usage of resources are stated below.

Water Usage

Water is the key component for the on-site beneficiation process. It is convenient for the Group to source ample amount of natural water from local streams, natural runoff and pumping from a retention pond in the Ibam Mine area. As for the other offices of the Group, due to the nature of the operations, water consumption mainly arises from the daily use of water by the employees at the offices during working hours, and the domestic sewage is directly discharged into municipal sewage pipelines.

As the water bills for offices in Hong Kong and Chengdu, China were included in the rent, while natural water was obtained from local streams in Malaysia, thus we are unable to collect and disclose the relevant data.

Electricity and Energy Usage

Our Hong Kong office's electricity consumption for the financial year of 2019 was approximately at 12,249 kWh (2018: 13,599 kWh), and the total emission of CO_2 was 9,799.20 kg (2018: 10,743.21 kg), mainly arising from the daily office operations. The following measures are adopted and implemented by us to preserve energy and reduce electricity usage:

- Reduce power consumption by using power-saving facilities;
- Turn off unused lighting and appliances to reduce energy consumption;
- Turn off air conditioning and lights after office hours and in idle rooms; and
- Regularly maintain office equipment to ensure efficient operation of office equipment such as air conditioners, computers, lights, and refrigerators, etc.

Only the units of usage of electricity of the Group's Hong Kong office are able to be collected, while in Chengdu, China and Malaysia, the electricity fees were already included in the rent, and thus, we are unable to collect and disclose the relevant data of electricity usage in Chengdu, China and Malaysia.

Generation of Waste

The solid waste generated mainly arises from the Group's day-to-day operations, including, but not limited to, office-use paper, office waste and waste generated from the mining of iron ores. In order to alleviate the pressure on landfills and promote environmental friendliness within the Group, we have implemented various measures to encourage recycling of office supplies and other materials, thus eliminating the over-consumption of unnecessary materials.

In the financial year of 2019, we complied with all relevant laws and regulations that have a significant impact on us, including, but not limited to, Waste Disposal Ordinance in Hong Kong, Solid Waste and Public Cleansing Management Act 2007 in Malaysia and the Law of China on Prevention and Control of Environmental Pollution by Solid Waste in China. No confirmed material non-compliance incidents or grievances were noted by us in relation to environmental issues.

Furthermore, no chemical or clinical hazardous waste was generated and we did not generate large amount of non-hazardous waste during our daily operations, and therefore, the data of non-hazardous waste was not included in the calculation. Moreover, no packing materials were used for metal products, and thus, no data in this respect is available.

The Environment and Natural Resources

Reduction of printing and paper usage

We require our staff to make full use of office paper before its disposal. Various measures have been incorporated into our business operations, such as adopting the use of environmental-friendly paper and promoting the use of double-sided printing. For any single-sided printing, the relevant paper should be reused under the circumstances that no confidential information was printed on one side of the paper. Moreover, used up ink cartridges were properly recycled so as to avoid the generation of hazardous waste. We will continue to leverage the use of technology for communication with our employees and customers; moving towards an operation of paperless system.

Reduction of waste generated from mining of ore

In order to minimize our impact on the environment and manage the potential risks relating to environmental protection matters, we will conduct reclamation/rehabilitation works, and also recycle and reuse waste water at the ore processing lines and tailing ponds. We occupy part of the land when conducting mining activity. After the activity has been completed, we will restore the land and vegetation.

Data on Greenhouse Gas Emission

	Unit		Carbon emission (CO_2) in kg	
	2019	2018	**2019**	2018
Scope 2				
Electricity consumption	**12,249 kWh**	13,599 kWh	**9,799.20**	10,743.21
Scope 3				
Business trips of employees by air	**234 times**	129 times	**34,752.12**	19,601.00
Total emission of GHG			**44,551.32**	30,344.21

SOCIAL

Employment and Labour Practices

Employee engagement has been our core strategy for enhancing productivity and workforce stability. As such, we focus on building a safe and enjoyable working environment for all employees. We have complied with all laws and regulations in relation to employment that have a significant impact on us, including but not limited to, Hong Kong Employment Ordinance, Employment Act 1955 in Malaysia and Labour Law of China.

Compliance and Grievance

During the financial year of 2019 and 2018, no confirmed non-compliance incidents or grievances were noted by the Company in relation to employment aspects.

Employment

We strictly comply with the requirements of the Employment Ordinance, the Minimum Wage Ordinance, the Employees' Compensation Ordinance as well as other relevant laws and regulations which cover employment protection and benefits. We have a set of personnel policy and procedures that set out our standard internal procedures relating to recruitment and promotion, working hours, holidays, equal opportunities, compensation, dismissal, diversity of origins, antidiscrimination and other human resources treatments and benefits of our employees, etc., to provide a set of standardized and adequate guideline on work practice for our employees.

As at 31 December 2019, the Group had 39 employees (2018: 49), as categorized by employment type, age, gender and geographical locations:

	2019	2018
Number of employees	**39**	49
By employment type		
— Full-time employees	**39**	49
— Part-time employees	**—**	—
By age group		
— 30 or below	**—**	—
— 31–50	**34**	42
— 51 or above	**5**	7
By gender		
— Male	**24**	28
— Female	**15**	21
By geographical locations		
— Hong Kong	**3**	3
— China	**31**	41
— Malaysia	**5**	5

Equal opportunity

All employees are entitled to equal opportunity in terms of treatment and promotion. In practice, employees can file a complaint or accusation against senior management if he or she is unpleased with how the senior management has treated him or her. The human resources department is responsible for handling these cases. All employees are treated equally and respectfully. It is our aim to let employees work in a friendly and peaceful environment.

In addition, all of our board members are selected based on their professional experience, skills and knowledge irrespective of their gender, age, cultural and educational background and ethnicity.

Anti-discrimination policy

The human resources department is responsible for conducting investigations over reported incidents in regard to discrimination or abuse. If a report of discrimination or abuse is confirmed, we will terminate the relevant employee's employment contract and seek for legal actions against the offender depending on the seriousness of the incident.

Attract and retain talents

Our remuneration policies are in line with prevailing market practices and are determined on the basis of the competency, qualifications and experience of individual employees. Management has been constantly reviewing the staff remuneration package and employees' promotion opportunities. Adjustments will be made, usually annually, to conform to the market standard in order to retain talents and ensure the offer is competitive as compared to our peers in the industry.

We emphasize the unity and harmony within the working environment. Over the years, our human resources department has contributed numerous efforts in organizing activities to strengthen the bonding of employees within our family. Team building activities and gatherings are organized regularly so as to let our employees maintain their work-life balance, and also help build unity and a harmonious working environment. During the financial year of 2019 and 2018, the employee turnover rate was as follow:

	2019	2018
By age group		
— 30 or below	**N/A**	N/A
— 31–50	**19%**	0%
— 51 or above	**28%**	0%
By gender		
— Male	**14%**	0%
— Female	**28%**	0%
By geographical locations		
— Hong Kong	**0%**	0%
— China	**24%**	0%
— Malaysia	**0%**	0%

Welfare and benefits

Employees are entitled to all holidays as stated on the Employment Act, apart from that, employees are also entitled to generous annual leave package, including 1 to 3 days' marriage leave and 1 to 3 days' funeral leave.

Moreover, we continue to uphold the government laws and provide comprehensive support to pregnant female employees. We have a "Support Policy" to show support to all pregnant employees and to ensure that their original job is available to them upon their return from maternity leave. Furthermore, during their pregnancy period, we prohibit any pregnant employees to perform heavy lifting assignments so as to ensure that both the mother and the baby are safe at CAA Resources.

Health and Safety

We comply with the relevant laws and regulations regarding industrial safety, hygiene and health, and other caring arrangements for employees that have a significant impact on us, including, but not limited to, Occupational Safety and Health Ordinance in Hong Kong and Occupational Safety and Health Act 1994 in Malaysia. Apart from employees' compensation insurance, we provide other fringe benefits to our employees, such as medical cover. Our business operations do not involve any high-risk work activities that could lead to serious industrial events or occupational health problems. During the financial year of 2019 and 2018, no case of injuries was reported and thus no lost day due to work injury.

In addition, we have implemented the following policies to create and maintain a good, comfortable and healthy work environment for our employees:

- Keep all emergency exits in the workplace unobstructed;
- Provide sufficient lights at workplace;
- Prohibit smoking in the workplace; and
- Conduct regular safety inspections and fire drill training.

Development and Training

We believe that investing in employees through training will help promote job satisfaction, work motivation and staff loyalty. Different types of training were provided to employees to make sure that all staff can have updated information and enough knowledge and skills to provide quality services to our customers. The Company provided on-the-job training to our employees, and all new joiners received induction training on their first day of employment.

Moreover, employees are encouraged to attend external training seminars and courses that can help them gain updated knowledge with the fast changing business world taken into account. The training seminars and courses include, but not limited to, updates on the Listing Rules, corporate governance, changes and development of relevant laws and regulations, as well as the introduction of financial technologies and strategic investment opportunities. As such, we strive to refresh our employees' knowledge and let them maintain sustainable professional development.

During the financial year of 2019 and 2018, there are 72 and 36 hours of training received by the employees of the Group.

	2019	2018
Total hours of training received by the employees	**72**	36
The percentage of employees trained by employee categories		
— Management	**100%**	75%
— Other staff	**91%**	80%
The percentage of employees trained by gender		
— Male	**88%**	79%
— Female	**100%**	81%
Average training hours by employee categories		
— Management	**5.1**	1.5
— Other staff	**1.1**	0.6
Average training hours by gender		
— Male	**1.5**	0.4
— Female	**2.4**	1.1

Labour standards

We are committed to complying with the Employment Ordinance in Hong Kong, the PRC Employment Contract Law, the PRC Labour Law, and the Employment Regulations 1957 in Malaysia. Every act of engagement is subject to a stringent internal review process that involves a well-defined monitoring procedure designed to verify a candidate's personal information in order to avoid misrepresentation and any form of child labour.

The practice of forced and child labour is strictly prohibited. If the management discovers that there has been any illegal practice of child or forced labour, we will immediately terminate the employment contract of the relevant executives. During the financial year of 2019 and 2018, all employees are over the age of 18, and have been properly employed in accordance with the requirements of all applicable laws and regulations.

OPERATING PRACTICES

Supply Chain Management

We aim to provide comprehensive solutions that meet customers' needs and establish a comprehensive vertical supply chain management system through resources integration and supply management. The Group assesses whether suppliers are qualified by considering their locations, transportation methods and means of packaging, and supply history record, and such assessment is carried out at least once every year. We will only work with partners who operate their business in a professional and ethical manner.

The Group's criteria for selecting suppliers are based on fair and clear standards, such as the product quality, post-sale services, prices and payment days and cooperation history, to procure not only most productive but also environmental-friendly resources and products and services with the highest quality. The Group arranges this assessment for suppliers on a regular basis and applies timely treatment for those suppliers who fail in the assessment, such as termination of procurement. We focus on close cooperation with suppliers to reduce the environmental impact of products being manufactured in the production process, and ensure the quality of services provided to our customers.

During the financial year of 2019, we purchased from over 6 suppliers (2018: 13 suppliers) which are widely spread all over the world. Our suppliers are mainly located in Hong Kong, Malaysia and Singapore. It is our wish to collaborate with our suppliers in innovation development and application, participation in production process enhancement for the continuous optimization of supply chain capabilities as well as fulfilment of our responsibilities in social and environmental protection.

Product Responsibility

We strictly comply with laws and regulations with regard to product responsibility in Hong Kong, Malaysia and PRC that have a significant impact on us, including, but not limited to, the Consumer Protection Law of China, China's Law of Tort, the Trade Description Ordinance and the Sale of Goods Ordinance in Hong Kong, and the Consumer Protection Act 1999 in Malaysia.

There were no major breaches of the Trade Description Ordinance, nor were we sued for copyright infringement in the financial year of 2019 and 2018. Also, no products have been returned to us by customers due to health and safety issue and no complaints have been received related to our products in that years.

Quality assurance

In order to ensure the quality of our products, we maintain long-term relationship with those qualified suppliers with good reputation. Quality is based on the content of the mineral; and the Group obtains laboratory test results from its suppliers so as to ensure that all products are with high quality.

Data Protection and Privacy

The Group has security measures in place to provide adequate protection and confidentiality of all corporate data and information. It protects and maintains information confidentiality in its operation. During the year, the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong), the Regulations of the PRC for Safety Protection of Computer Information Systems, Personal Data Protection Act of Malaysia were fully complied with to protect the rights of employees, clients, and business associates.

Anti-corruption

We clearly understand that financial crime can have significant consequences upon our customers and us. Moreover, the community and the economies in which we operate can also be greatly impacted. Therefore, we are highly committed to participating in industry-wide efforts to address the problem of corruption.

We maintain and implement our own anti-money laundering, counter-terrorist financing, antibribery, anti-corruption and anti-fraud practices and procedures. We do not support, nor do we tolerate, any corruption practice and the payment or receipt of bribes for any purpose. We have set out a clear policy to guide our employees' behaviour in this area, and have complied with all relevant laws and regulations that have a significant impact on us, including, but not limited to, Criminal Law of China, Anti-Money Laundering Law of China, the Prevention of Bribery Ordinance in Hong Kong and the Malaysian Anti-Corruption Commission Act 2009.

Our whistleblowing policy provides a dedicated confidential reporting channel for employees and external stakeholders such as customers and suppliers to raise their concerns regarding unethical behaviour, and report malpractice and misconduct. Upon receiving the complaints or whistle-blowing, the Group will carry out inspection and investigation according to the complaint and will collect relevant evidence for verification.

During the financial year of 2019 and 2018, there was no report of any corruption or bribery behavior within the Group.

Community Investment

We deeply understand the importance of giving back to the society. Therefore, we encourage our employees to take part in community services so as to contribute to a more sustainable and harmonious society.

In addition, the Group maintains an open channel of communication with its stakeholders and communities to understand their motivations, goals and needs through continuous conversation in order to achieve the Group's contributions in corporate social responsibility activities.

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PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Li Yang, aged 33, 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, the director of Keen Wise Asia Investment Limited since 27 July 2015, 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 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.

Mr. Li was involved in legal proceedings, details of which are set out in the section headed "Legal Proceedings" in this annual report.

Ms. Li Xiaolan, aged 55, 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 20 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 63, was appointed as an executive Director and the production supervisor of our Company on 12 April 2013 and was re-elected as an executive Director on 19 June 2015. He had also been appointed as the director of Pacific Mining and Capture Advantage since May 2011 and June 2011 respectively. Mr. Wang has approximately 34 years of experience in the mining industry. Mainly responsible for the daily operation and production of the Group's mines, he is the key on-site person-in-charge of Project Ibam as well as the resident supervisor at the mine site for overall production management and testing of iron ore grading.

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

Prior to joining the Group, Mr. Wang served as the general manager of Chengdu Hande between November 2003 and December 2006, and was mainly responsible for the preliminary screening of potential investment opportunities in the mining sector. Between March 1998 and October 2003, Mr. Wang was the general manager of Sichuan Guandi Mine (四川官地鐵礦), serving as the key on-site person-in-charge of the mining project, and responsible for the construction of mining production lines and arranging staff for the mining operation. Before that, Mr. Wang had also successively served the positions of technician, engineer and deputy manager in the non-ferrous metal department at Sichuan Enterprises Mining Company (四川鄉鎮企業礦業公司).

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

Ms. Xu Mijia, aged 34, was appointed as the director of China Bright Industries Limited (formerly known as China Bright Mining Limited) since 10 April 2012 and was appointed as an executive Director of the Company since 12 September 2016. Ms. Xu joined the Group since December 2007 as Trading Manager Assistant. Ms. Xu is responsible for the implementation and management of marketing strategies and trading business of the Group. Ms. Xu has over 10 years of experience in bulk commodity especially in mineral industries.

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Leung Yiu Cho (梁耀祖), aged 41, is appointed as an independent non-executive director and chairman of audit committee of the Company with effect from 21 August 2017.

Mr. Leung has over 13 years of experience in financial management and corporate finance. Mr. Leung was appointed as independent non-executive director of Zheng Li Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange with the stock code of 8283) since 21 October 2016 He joined Artini Holdings Limited (formerly known as Primeview Holdings Ltd.) (a company listed on the Main Board of Stock Exchange with the stock code of 789), as its chief financial officer in December 2013 and has been its investment principal since October 2015 and an executive director in December 2016 until his resignation in September 2019. Mr. Leung was responsible for monitoring corporate finance transactions and investors relationship. Prior to that, Mr. Leung started his employment with Deloitte Touche Tohmatsu in June 2005 as a semi-senior accountant before leaving as a senior accountant in July 2006. Between July 2006 and August 2007, he was the assistant financial controller of Ta Yang Group Holdings Limited (大洋集團控股有限公司) (Stock Code: 1991) (a company listed on the Main Board). From August 2007 to September 2008, Mr. Leung joined CSC Securities (HK) Limited (群益證券(香港)有限公司) as an executive in the investment banking department. Mr. Leung was the financial controller and board secretary of United Technology Holdings Company Limited (聯合科技控股有限公司) in 2011. From March 2012 to August 2013, he joined Highland Asset Management Corporation (漢鎰資產管理股份有限公司) as its senior deputy finance manager and board secretary.

Mr. Leung graduated from Lingnan University (嶺南大學) in Hong Kong, in December 2001 with a bachelor of business administration degree. He then obtained his masters of corporate finance degree from The Hong Kong Polytechnic University (香港理工大學) in December 2006. He was admitted as a member of the Associate of Chartered Certified Accountants in March 2014. Save as disclosed above, Mr. Leung did not hold any directorships in any public listed companies in the last three years.

Dr. Li Zhongquan, aged 55, 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Wang Ling, aged 62, was appointed as an independent non-executive Director on 12 April 2013 and was re-elected as independent non-executive Director on 19 June 2015, mainly responsible for the independent supervision of the Company. He is also the chairman of the Remuneration Committee From October 2001 to May 2008, Dr. Wang served as the independent director of Xiwang Foodstuffs Co., Ltd. (西王食品股份有限公司) (stock code: SZ000639, formerly known as Zhuzhou Qingyun Development Co., Ltd. (株洲慶雲發展股份有限公司) and Hunan Ginde Development Co., Ltd. (湖南金德發展股份有限公司)), a company listed on the Shenzhen Stock Exchange. Save as disclosed herein, Dr. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Before that, Dr. Wang worked with Changsha Institute of Geotectonics, Chinese Academy of Sciences (中國科學院長沙大地構造研究所) as an associate researcher, researcher and tutor for doctoral candidates successively. Dr. Wang has been a professor and tutor for doctoral candidates of Chengdu University of Technology (成都理工大學) since January 2002. He received the Government Special Allowance awarded by the State Council of China (國務院政府特殊津貼) in 1999 and was recognized as the Leader of Academy and Technology (學術和技術帶頭人) in Sichuan in 2003.

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. Wang Zeping, aged 62, 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 36 years of experience in the mining industry. He joined our Group since March 2008 and appointed as director of Capture Advance, Pacific Mining Capture Bukit Besi since Jan 2015, Aug 2014 and 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.

DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company acts as an investment holding company. The activities of its principal subsidiaries are iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines. There were no significant changes in the nature of the Group's principal activities during the year while the Company has consolidated its focus on trading of iron ore and has undertaken financing related businesses during the year under review. Details of the Company's subsidiaries as at 31 December 2019 are set out in note 44 to the Notes to Financial Statements of this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 18 of this annual report. This discussion forms part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognizes the importance of proper adoption of environmental policies is essential to the attainability of corporate growth. The Group uses the open-pit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation process and dewatering. The method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced. For more discussion on the Group's environmental, policies and performance, please refer to "Environmental, Social and Governance Report" on pages 32 to 50 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2019 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Discussions on the Group's relationships with its employees, customers and suppliers is contained in the section headed "Environmental, Social and Governance Report" on pages 39 to 50 of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and Malaysia while the Company itself is listed on the main board of The Stock Exchange of Hong Kong Limited. The establishment and operations accordingly shall comply with relevant laws and regulations in Hong Kong, the PRC and Malaysia. During the year ended 31 December 2019 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the PRC, Hong Kong and Malaysia.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company's corporate governance report is set out on page 19 to 31 of this annual report.

FUTURE PLAN

In light of the uncertain market conditions for the self-production of mine segment, the Group will focus more on the trading of commodities (including, but not limited to, iron ore), and also strive to diversify the income sources. The Group aims to diversify the business portfolio through self- development or strategic acquisition so that the scope of business becomes more diversified. A number of memorandum of understanding were signed with various parties during the year and negotiation is being processed. The Company would provide further information on the proposed projects in accordance with the requirements of the Listing Rules once available. For further details please refer to "Overview of Business Development" on page 6.

FINANCIAL KEY PERFORMANCE INDICATOR

Key performance indicators used by the Group are listed on page 2 to 3 of this annual report.

Please refer to the section headed "Financial Review" in the Management Discussion and Analysis in this annual report for details.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71 to 72.

No interim dividend was paid during the year (2018: Nil). The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on 31 August 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 26 August 2020 to Monday, 31 August 2020, 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, 25 August 2020.

SUMMARY OF FINANCIAL INFORMATION

A five year summary of the consolidated results, assets and liabilities of the Group, as extracted from the audited consolidated financial statements of the Group and the Prospectus, is set out on pages 172 and 173 in this annual report. This summary does not form part of the audited financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group, including the interest-free and security-free loan of USD60 million by Cosmo Field Holdings Limited, the Ultimate Parent company of the Company, as at 31 December 2019 are set out in note 30 and 31 to the Notes to Financial Statements.

NOTES AND BONDS

Details of the notes issued by the Company are set out in note 32 to the Notes to Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment of the Group for the year ended 31 December 2019 was USD1,000 (2018: USD2,000). Details of the movements during the year in the Group's property, plant and equipment are set out in note 18 to the Notes to 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 35 to the Notes to Financial Statements of this annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions (2018: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 98.91% of the Group's total sales for the year ended 31 December 2019 (2018: 89.2%), and sales to its largest customer accounted for 46.71% of the Group's total sales for the year ended 31 December 2019 (2018: 28.6%). Purchases from the Group's five largest suppliers accounted for approximately 99.0% of the total purchases for the year ended 31 December 2019 (2018: 79.0%) and purchases from the largest supplier accounted for approximately 37.0% of total purchases for the year ended 31 December 2019 (2018: 25.8%).

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

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

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

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

DIRECTORS

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

Executives Directors

Mr. Li Yang
Ms. Li Xiaolan
Mr. Wang Er
Ms. Xu Mijia

Independent Non-Executive Directors

Mr. Leung Yiu Cho
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 51 to 54 of this annual report.

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

DIRECTORS' INTERESTS IN CONTRACTS

No Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party for the year ended 31 December 2019.

Cosmo Field Holdings Limited, our controlling shareholder wholly-owned by Mr. Li Yang who is the executive Director, has provided a security-free and interest-free loan of USD60.0 million to the Company.

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors of the Company had engaged in any business or had any interest in business which competes or may constitutes competition directly or indirectly (within the meaning of the Listing Rules) with the business of the Group for the year ended 31 December 2019.

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 on 25 July 2017 for a term of three years.

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

PERMITTED INDEMNITY PROVISION

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

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

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

As at 31 December 2019, the Directors and the Chief Executive Officer of the Company had the following interests and short positions in the Shares, underlying Shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the SFO, which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

(i) Long positions in Shares of the Company:

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

Note:

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

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

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

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

   (b) The Company has been notified that, a deed of release has been executed on 4 January 2018 with respect to the Charged Shares which were previously charged by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). Cosmo Field has charged the Shares in favour of another secondary priority lender on 4 January 2018.

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

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

Save as disclosed above, as at 31 December 2019, 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 the date of this report, so far as it is known to the Directors, the persons (other than the Directors or Chief Executive Officer of the Company) with interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group were as follows:

Substantial Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholdings
Cosmo Field (notes 2, 3)	Beneficial owner	843,750,000 (L)	56.25 (L)
Ample Professional Limited (note 5)	Security interest in shares	752,000,000 (L)	50.13%
Huarong International Financial Holdings Limited (note 5)	Interest in controlled corporation	752,000,000 (L)	50.13%
中國華融資產管理股份有限公司 (note 5)	Interest in controlled corporation	752,000,000 (L)	50.13%
Haitong International Financial Products (Singapore) Pte. Ltd. (note 6)	Security interest in shares	172,352,000 (L)	11.49%
Haitong International Holdings Limited (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Haitong International Securities Group (Singapore) Pte. Ltd. (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Haitong International Securities Group Limited (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Haitong Securities Co., Ltd. (note 6)	Interest in controlled corporation	172,352,000 (L)	11.49%
Hua Heng (note 4)	Beneficial owner	100,575,000 (L)	6.71% (L)
Yang Jun (note 4)	Interest in controlled corporation	100,575,000 (L)	6.71% (L)
Tang Lingyan (note 4)	Interest of a Substantial Shareholder's child under 18 or spouse	100,575,000 (L)	6.71% (L)

Note:

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

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

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

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

   (b) The Company has been notified that, a deed of release has been executed on 4 January 2018 with respect to the Charged Shares which were previously charged by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). Cosmo Field has charged the Shares in favour of another secondary priority lender on 4 January 2018.

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

5. Each of Huarong International Financial Holdings Limited and 中國華融資產管理股份有限公司 is deemed, or taken to be, interested in all the interest held by Ample Professional Limited in the shares of the Company for the purpose of the SFO.

6. Each of Haitong International Holdings Limited, Haitong International Securities Group (Singapore) Pte. Ltd., Haitong International Securities Group Limited and Haitong Securities Co., Ltd. is deemed, or taken to be, interested in all the interest held by Haitong International Financial Products (Singapore) Pte. Ltd. in the shares of the Company for the purpose of the SFO.

Save as disclosed above, as at the date of this report, 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.

DIRECTORS' REPORT

AUDITORS

Reference is made to the announcement of the Company dated 14 May 2020 and 29 June 2020 in relation to the change of the auditors of the Group (the "Auditor Announcement(s)"). Prism CPA Limited has been appointed as the Company's auditor with effect from 29 June 2020 and as at the date of this annual report. For details of resignation of Graham Y. H. Chan & Co. and appointment and resignation of ZHONGHUI ANDA CPA Limited, please refer to the Auditor Announcements.

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. Service contracts were renewed on 25 July 2017 for the Directors for a term of 3 years. Details of the remuneration of the Directors are set out in note 14 to the Notes to Financial Statements of this annual report.

RELATED PARTY TRANSACTIONS

Details of the related party transaction are stated in note 39 to the Notes to Financial Statements of this annual report, which comprise of, among others, (1) the interest-free and security-free shareholder loans of USD60,000,000 by Cosmo Field (the controlling shareholder of the Company) to the Company, and provision of guarantee by Mr. Li, his father and his controlled entity with respect to the Company's loans at nil consideration, which are all fully exempt connected transaction under Rule 14A.90 of the Listing Rules; and (2) remuneration payable to the Directors and other key management personnel of the Group.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in notes 4 and 40 to the Notes to Financial Statements.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by the Shareholders by way of written resolution on 12 April 2013 for the purpose of attracting and retaining the best available personnel; providing additional incentive to employees (full-time and 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.

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

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

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

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

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

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

The maximum number of unexercised share options currently permitted to be granted under the Company's Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time (being 150,000,000 Shares, representing 10% of the total issued shares of the Company as at 31 December 2019). The maximum number of shares issuable under share options to each eligible participant in the Company's Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting. During the twelve months ended 31 December 2019, the Company may grant options in respect of up to 150,000,000 Shares to the participants under the Share Option Scheme, being 10% of the issued shares of the Company.

No option has lapsed, or has been granted, exercised or cancelled under the Share Option Scheme during the year ended 31 December 2019. Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at 31 December 2019.

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 2019. The independent non-executive Directors have reviewed on the confirmations from the Covenantors and concluded that the Deed has been complied with and has been effectively enforced.

SUFFICIENCY OF PUBLIC FLOATING

Based on the information that is publicly available to the Company and as far as the Directors are aware, the Company has maintained at least 25% of public float as for the year ended 31 December 2019 and up to the date of this annual report.

On Behalf of the Board of Directors

LI Yang
Chairman and Chief Executive Officer

30 July 2020

Prism CPA Limited
栢淳會計師事務所有限公司

Room 1002-3, 10/F., Perfect Commercial Building,
No. 20 Austin Avenue, Tsim Sha Tsui, Hong Kong
香港九龍尖沙咀柯士甸路20號保發商業大廈10樓1002-3室
T : +852 2774 2188 E : info@prism.com.hk
F : +852 2774 2322 W : www.prism.com.hk

TO THE SHAREHOLDERS OF CAA RESOURCES LIMITED
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of CAA Resources Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 71 to 171, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material Uncertainty Related to the Going Concern

As explained in note 2 to the consolidated financial statements, the Group incurred a net loss attributable to the owners of the Company of approximately US$57,110,000 and had net cash outflows from operating activities of approximately US$8,500,000 during the year ended 31 December 2019. As at the same date, the Group's amount due to ultimate holding company, bank and other borrowings, guarantee notes and bonds amounted to approximately US$155,555,000, while its cash and cash equivalents amount to approximately US$102,000 only.

In addition, as at 31 December 2019, the Group was in default in relation to, inter alia, the principal amount of aggregate amount due to ultimate holding company, bank and other borrowings and guarantee notes totaling approximately US$153,076,000 ("In Default Borrowings") due to the following events of default:- (a) late or overdue payments of principal and interests during the year ended or as at 31 December 2019, and (b) breach of terms and conditions of In Default borrowings not abovementioned during the year ended 31 December 2019. These conditions constituted events of defaults which resulted in cross-default of bonds other than those mentioned above, amount to outstanding principal amount of approximately US$2,479,000 ("Cross-default Borrowings") as at 31 December 2019.

As at 31 December 2019, the Company has a loan from its ultimate holding company, Cosmo Field Holdings Limited ("Cosmo Field") with the outstanding principal of US$40,000,000 (the "Shareholder's Loan") which included in the In Default Borrowings. On 15 May 2020, Mr. Li Yang ("Mr. Li"), the director, chairman and chief executive officer of the Company and Cosmo Field, the ultimate holding company of the Company, received a writ of summons taken out by Industrial Bank Co., Limited ("Industrial Bank") at the High Court of Hong Kong ("High Court Action 1") in relation to a loan advanced by Industrial Bank to Cosmo field (the "Industrial Bank Loan"), for which Mr. Li was the guarantor. Pursuant to the High Court Action 1, Industrial Bank brought claim against Cosmo Field and Mr. Li with respect to the default in repayment of the Industrial Bank Loan in the amount of US$45,059,154 (the "Default on Industrial Bank Loan"). Cosmo Field has pledged 752,000,000 shares (representing 50.13% of all issued shares of the Company) in favour of Industrial Bank as security for the Industrial Bank Loan. Cosmo Field has lent the principal amount of the Industrial Bank Loan being US$40,000,000 (i.e. Shareholder's Loan) to the Company as an interest-free loan, and Industrial Bank is entitled to claim against the Company for the repayment of the Shareholder's Loan pursuant to the assignment of loan as part of security arrangement for the Industrial Bank Loan whereby Cosmo Field has assigned the rights under the Shareholder's Loan to Industrial Bank. The Default on Industrial Bank Loan will trigger cross-defaults of other borrowings and loans of the Group.

As at 31 December 2019, China Bright Industries Limited, a subsidiary of the Company, has a bank borrowings advanced from Oversea-Chinese Bank Corporation Limited ("OCBC") with the outstanding principal of approximately US$36,533,000 ("OCBC loan") as at 31 December 2019 which is included in the In Default Borrowings. As set out in the announcement by the Company dated 20 January 2020, Mr. Li, the director, chairman and chief executive officer of the Company, received a writ of summons taken out by OCBC at the High Court of Hong Kong ("High Court Action 2") in relation to the OCBC loan, in which Mr. Li failed to fulfil his obligation as a guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC loan (the "Breach"), and the Breach will trigger cross defaults of other borrowings and loans of the Group.

As at 31 December 2019, the Company, has a bond issued to I-Access Investors Limited ("I-Access") with the outstanding principal of approximately US$2,479,000 as at 31 December 2019 which included in the Cross-default Borrowings. On 4 February 2020, a statutory demand under the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("Statutory Demand") was served on the Company by I-Access to demand the Company to pay the outstanding amount of HK$21,019,178 ("I-Access debt") within 21 days after the date of the Statutory Demand for repayment of the I-Access debt. On 8 May 2020, the Company and I-Access entered a terms sheet of extended payment schedule (the "extended payment schedule") and agreed that the Company shall be payable of the I-Access debt with six installments to 22 June 2021. The Group settled an aggregate amount of HK$300,000 to I-Access subsequently in May and June 2020, which in accordance with the extended payment schedule.

Subsequent to 31 December 2019, principal of approximately US$155,517,000 and interests of approximately US$9,834,000 relating to the In Default Borrowings and the Cross-default Borrowings, were not repaid in accordance with the repayment schedules pursuant to the borrowing agreements.

These conditions, together with other matters disclosed in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have been undertaking measures to improve the Group's liquidity and financial position, and to remediate certain delayed repayments to financial institutions, which are set out in note 2 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful negotiations with the Group's existing lenders for the renewal of or extension for repayment of outstanding In Default borrowings and Cross-default borrowings, including those with overdue principals and interests; (ii) successfully raising additional new sources of financing as and when needed; (iii) successfully reaching a settlement of the High Court Action 1, High Court Action 2 and the Statutory Demand between the Company and its Creditors; (iv) successful collection of trade receivables and controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (v) successfully managing the impact of the COVID-19 outbreak, as well as any government's stimulus in response, on the Group's operation from time to time and adjusting its sales and marketing strategy for mine sales to generate sufficient cash from its operations; and (vi) the successful maintenance of relationship with the Group's exiting lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings with interest payment in default, including those with cross-default terms.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those statements on 29 March 2019.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our responsibilities is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Kwok Lun.

Prism CPA Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294

Hong Kong
30 July 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **US$'000**	2018 US$'000
Revenue	8	**1,055,195**	1,447,008
Cost of sales		**(1,043,615)**	(1,428,623)
Gross profit		**11,580**	18,385
Other income	10	**1,792**	1,862
Selling and distribution expenses		**(778)**	(267)
Administrative and other expenses		**(5,263)**	(6,655)
Impairment loss on financial assets, net of reversal		**(14,236)**	–
Impairment loss on remeasurement of assets held for sale		**(31,636)**	–
Finance costs	11	**(18,345)**	(10,057)
Share of loss of an associate		**–**	(1)
(Loss) profit before taxation		**(56,886)**	3,267
Income tax expenses	12	**(223)**	(733)
(Loss) profit for the year	13	**(57,109)**	2,534
(Loss) profit for the year attributable to:			
– Owners of the Company		**(57,110)**	2,534
– Non-controlling interests		**1**	–
		(57,109)	2,534

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	**2019** **US$'000**	2018 US$'000
Other comprehensive expense			
Items that will not be reclassified subsequently to profit of loss			
Net change in fair value of financial assets at fair value through other comprehensive income		**(5,275)**	(8,541)
Income tax relating to items that will not be reclassified subsequently		**–**	1,452
		(5,275)	(7,089)
Items that may be reclassified subsequently to profit of loss			
Exchange differences arising on translation of financial statements from functional currency to presentation currency		**116**	(371)
Other comprehensive expense for the year, net of income tax		**(5,159)**	(7,460)
Total comprehensive expense for the year		**(62,268)**	(4,926)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(62,293)**	(4,926)
Non-controlling interests		**25**	–
		(62,268)	(4,926)
(Loss) earnings per share attributable to the owners of the Company	17		
Basic and diluted (US cents)		**(3.81)**	0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Non-current assets			
Property, plant and equipment	18	**2,577**	3,352
Intangible assets	19	**12,881**	12,680
Right-of-use assets	20	**218**	–
Investment in an associate	21	**–**	49,999
Financial assets at fair value through other comprehensive income	22	**9,992**	15,267
Goodwill	23	**6,718**	6,649
Deferred tax assets	34	**–**	13
Total non-current assets		**32,386**	87,960
Current assets			
Trade receivables	24	**217,959**	205,093
Deposits, prepayments and other receivables	25	**7,552**	9,381
Cash and cash equivalents	26	**102**	183
		225,613	214,657
Non-current assets classified as held for sales	27	**18,363**	–
Total current assets		**243,976**	214,657
Current liabilities			
Trade payables	28	**10,292**	1,953
Other payables and accruals	29	**12,622**	2,384
Lease liabilities	20	**87**	–
Amount due to ultimate holding company	30	**60,000**	60,000
Bank and other borrowings	31	**54,683**	40,953
Notes and bonds	32	**40,872**	37,287
Income tax payable		**3,714**	3,910
Total current liabilities		**182,270**	146,487
Net current assets		**61,706**	68,170
Total assets less current liabilities		**94,092**	156,130
Non-current liabilities			
Lease liabilities	20	**167**	–
Provision for rehabilitation	33	**509**	409
Deferred tax liabilities	34	**2,930**	2,910
Total non-current liabilities		**3,606**	3,319
Net assets		**90,486**	152,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	**2019** **US$'000**	2018 US$'000
Equity			
Share capital	35	**1,934**	1,934
Reserves		**86,814**	149,164
Equity attributable to owners of the Company		**88,748**	151,098
Non-controlling interests		**1,738**	1,713
Total equity		**90,486**	152,811

The consolidated financial statements on pages 71 to 171 were approved and authorised for issue by the board of directors on 30 July 2020 and are signed on its behalf by:

Li Yang
Director

Li Xiaolan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital US$'000 (note 35)	Share premium US$'000 (note (i))	Capital reserve US$'000 (note (ii))	Contributed surplus US$'000 (note (iii))	Fair value reserve US$'000 (note (iv))	Other reserve US$'000 (note (v))	Exchange fluctuation reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2018	1,934	47,541	14,956	50	4,356	–	(4,138)	43,038	107,737	–	107,737
Profit for the year	–	–	–	–	–	–	–	2,534	2,534	–	2,534
Other comprehensive (expense) income											
Net change in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(7,089)	–	–	–	(7,089)	–	(7,089)
Exchange differences arising on translation of financial statements from functional currency to presentation currency	–	–	–	–	–	–	(371)	–	(371)	–	(371)
Total comprehensive (expense) income for the year	–	–	–	–	(7,089)	–	(371)	2,534	(4,926)	–	(4,926)
Effect of change in ownership interest in a subsidiary without loss of control (note 41)	–	–	–	–	–	48,287	–	–	48,287	1,713	50,000
At 31 December 2018	1,934	47,541	14,956	50	(2,733)	48,287	(4,509)	45,572	151,098	1,713	152,811
At 31 December 2018 (as originally presented)	**1,934**	**47,541**	**14,956**	**50**	**(2,733)**	**48,287**	**(4,509)**	**45,572**	**151,098**	**1,713**	**152,811**
Effect of changes in accounting policies (note 3)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57)**	**(57)**	**–**	**(57)**
At 1 January 2019, as restated	**1,934**	**47,541**	**14,956**	**50**	**(2,733)**	**48,287**	**(4,509)**	**45,515**	**151,041**	**1,713**	**152,754**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(57,110)**	**(57,110)**	**1**	**(57,109)**
Other comprehensive (expense) income											
Exchange differences arising on translation of financial statements from functional currency to presentation currency	**–**	**–**	**–**	**–**	**–**	**–**	**92**	**–**	**92**	**24**	**116**
Net change in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**–**	**(5,275)**	**–**	**–**	**–**	**(5,275)**	**–**	**(5,275)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(5,275)**	**–**	**92**	**(57,110)**	**(62,293)**	**25**	**(62,268)**
At 31 December 2019	**1,934**	**47,541**	**14,956**	**50**	**(8,008)**	**48,287**	**(4,417)**	**(11,595)**	**88,748**	**1,738**	**90,486**

Notes:

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 consolidated financial statements.

(i) Share premium

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

(ii) Capital reserve

Capital reserve represented: (i) differences arising from acquisition of non-controlling interests and reserve arising from the waiver of debts by the former shareholders of the Company in prior years of US$13,825,000; (ii) the difference between the nominal amount of US$15,000,000 and the fair value of US$13,887,000 of the interest-free loan granted by the ultimate holding company during the year ended 31 December 2015. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and the present value of US$1,131,000 is treated as equity contribution from the ultimate holding company and credited to the capital reserve account.

(iii) Contributed surplus

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

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets at fair value through other comprehensive income at the end of the reporting period and is dealt with in accordance with the accounting policies in note 4.

(v) Other reserve

Other reserve represented the difference between the amount of the adjustment to non-controlling interests and the consideration received arising from the disposal of the 9.12% of the issued shares of a subsidiary of the Group which did not result in loss of control of that subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(56,886)**	3,267
Adjustments for:		
Depreciation of property, plant and equipment	**801**	896
Depreciation of right-of-use assets	**238**	–
Amortisation of intangible assets	**34**	23
Interest income	**(1,609)**	(1,701)
Finance costs	**18,345**	10,057
Impairment loss on remeasurement of assets held for sale	**31,636**	–
Share of loss of an associate	**–**	1
Impairment loss on financial assets, net of reversal	**14,236**	–
Written-off of other receivables	**–**	314
Unrealised foreign exchange losses	**–**	83
Operating cash flows before movements in working capital	**6,795**	12,940
Increase in trade receivables	**(25,381)**	(10,617)
Decrease in deposits, prepayments and other receivables	**116**	41,495
Increase (decrease) in trade payables	**8,339**	(24,125)
Increase (decrease) in other payables and accruals	**2,050**	(324)
Cash (used in) generated from operations	**(8,081)**	19,369
Income tax paid	**(419)**	(420)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(8,500)**	18,949

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
INVESTING ACTIVITIES		
Interest income	**1,609**	1,571
Purchase of property, plant and equipment	**(1)**	(2)
Withdrawal of pledged deposits	**–**	7,124
NET CASH GENERATED FROM INVESTING ACTIVITIES	**1,608**	8,693
FINANCING ACTIVITIES		
Interest paid	**(5,894)**	(10,557)
Repayment of bank and other borrowings	**(4,420)**	(86,060)
Repayment of notes	**(3,000)**	(3,915)
Repayment of lease liabilities	**(279)**	–
New borrowing raised	**17,920**	70,989
Proceed on issue of bonds	**2,472**	–
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**6,799**	(29,543)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(93)**	(1,901)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**183**	2,085
Effect of foreign exchange rate changes	**12**	(1)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**102**	183

1. GENERAL INFORMATION

CAA Resources Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 25 April 2012 and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 July 2013.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Since October 2019, the address of the principal place of business of the Company has changed to Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

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

The Company is an investing holding company. Its major operating subsidiaries are mainly engaged in the mining, ore processing, sales of iron ore products and other commodities.

The functional currency of the Company and the subsidiaries incorporated in Hong Kong are United States dollars ("US$") while that of the subsidiaries established in the People's Republic of China, Malaysia and Singapore are Renminbi ("RMB"), Malaysia Ringgit ("MYR") and Singapore Dollar ("SGD") respectively. For the purpose of presenting the consolidated financial statements, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") adopted US$ as its presentation currency which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

During the year ended 31 December 2019, the Group incurred a net loss attributable to the Owners of the Company of approximately US$57,110,000 and had net cash outflows from operating activities of approximately US$8,500,000. As at the same date, the Group's amount due to ultimate holding company, bank and other borrowings, guarantee notes and bonds amounted to approximately US$155,555,000 respectively, while its cash and cash equivalents amount to approximately US$102,000 only.

As at 31 December 2019, borrowings whose principal amounts of approximately US$153,076,000 and interest payable amounts of approximately US$9,834,000 ("In Default Borrowings") were overdue. In addition, the Group breached terms and conditions of In Default borrowings during the year ended 31 December 2019. The aforementioned borrowings would be immediately repayable if requested by the lenders.

2. BASIS OF PREPARATION (continued)

As set out in the announcement by the Company dated 20 January 2020, Mr. Li Yang ("Mr. Li"), the director, chairman and chief executive officer of the Company, received a writ of summons taken out by Oversea-Chinese Banking Corporation Limited ("OCBC") at the High Court of Hong Kong ("High Court Action 2") in relation to the OCBC loan, in which Mr. Li failed to fulfil his obligation as a guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC loan (the "Breach"), and the Breach will trigger cross defaults of other borrowings and loans of the Group.

As disclosed in note 30, on 15 May 2020, Mr. Li Yang ("Mr. Li"), the director, chairman and chief executive officer of the Company and Cosmo Field, the ultimate holding company of the Company, received a writ of summons taken out by Industrial Bank Co., Limited ("Industrial Bank") at the High Court of Hong Kong ("High Court Action 1") in relation to a loan advanced by Industrial Bank to Cosmo field (the "Industrial Bank Loan"), for which Mr. Li was the guarantor. Pursuant to the High Court Action 1, Industrial Bank brought claim against Cosmo Field and Mr. Li with respect to the default in repayment of the Industrial Bank Loan in the amount of US$45,059,154 (the "Default on Industrial Bank Loan"). Cosmo Field has pledged 752,000,000 shares (representing 50.13% of all issued shares of the Company) in favour of Industrial Bank as security for the Industrial Bank Loan. Cosmo Field has lent the principal amount of the Industrial Bank Loan being US$40,000,000 (i.e. Shareholder's Loan) to the Company as an interest-free loan, and Industrial Bank is entitled to claim against the Company for the repayment of the Shareholder Loan pursuant to the assignment of loan as part of security arrangement for the Industrial Bank Loan whereby Cosmo Field has assigned the rights under the Shareholder Loan to Industrial Bank. The Default on Industrial Bank Loan will trigger cross-defaults of other borrowings and loans of the Group.

As stipulated in the relevant loan and financing agreements in respect of certain borrowings of the Group other than those mentioned above, any default of the Group's borrowings may result in cross-default of these borrowings. As a result of the above default events, the principal amount of borrowings of approximately US$2,479,000 were considered as cross-default ("Cross-default Borrowings"), of which the original contractual repayment dates beyond 31 December 2020 have been reclassified as current liabilities as at 31 December 2019 (note 32). On 8 May 2020, the Company and I-Access entered a terms sheet of extended payment schedule (the "extended payment schedule") and agreed that the Company shall be payable of the I-Access debt with six installments to 22 June 2021. The Group settled an aggregate amount of HK$300,000 to I-Access subsequently in May and June 2020, which in accordance with the extended payment schedule.

2. BASIS OF PREPARATION (continued)

Subsequent to the balance sheet date, the Group did not repay certain principal and interest payments in accordance with the scheduled repayment dates of certain loan agreements, including (1) interest of approximately US$9,842,000 relating to certain of the Overdue Borrowings with a total principal amount of approximately US$153,076,000, and (2) principal of approximately US$2,479,000 and interest of approximately US$104,000 relating to the Cross-default Borrowings.

The Group is in active negotiations with all the lenders in respect of the In Default Borrowings and Cross-default Borrowings for renewal and extension of the relevant borrowings and the Directors are confident that agreements will be reached in due course.

Because of the aforementioned actions taken, management is confident that the lenders of the borrowings in respect of which there were delays in principal and interest repayments will not enforce their rights of requesting for immediate repayment. Management is also confident that lenders of the cross-default borrowings will not exercise their rights of requesting for immediate repayment under the cross-default provisions.

All of the above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. Further, the Group's mine sales subsequent to the year end has been significantly affected by the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), which will have an impact on the Group's cash flows.

In view of these circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern, and have taken the following measures to mitigate the liquidity pressure and to improve its cash flows:

(i) Cosmo Field, the ultimate holding company has agreed not to demand for any repayment of amount due by the Company of approximately US$60,000,000 as at 31 December 2019 until the Company is in a financial position to do so;

(ii) The Group has been actively negotiating with existing lenders for renewal and extension of bank loans and credit facilities;

(iii) The Group is also negotiating with various financial institutions and identifying various options for financing the Group's working capital and commitments in the foreseeable future;

2. BASIS OF PREPARATION (continued)

(iv) In light of the COVID-19 outbreak, the Group is closely monitoring the latest development and will continue to assess the impact of the epidemic, as well as any government's stimulus in response, on the Group's operation from time to time and adjust its sales and marketing strategy for its mine sales to generate sufficient cash from its operations;

(v) The Group has implemented measures to speed up the collection of outstanding trade debts proceeds; and

(vi) The Group will continue to take active measures to control administrative costs through various channels including human resources optimisation and management remuneration adjustments and containment of capital expenditures.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2019. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

(i) Successful negotiations with the lenders for the renewal of or extension for repayments beyond year 2020 for those borrowings that (a) are scheduled for repayment (either based on the original agreements or the existing arrangements) in year 2020; (b) were overdue as at 31 December 2019 because of the Group's failure to repay either the principal or the interests on or before the scheduled repayment dates; and (c) became or might become overdue in year 2020;

(ii) Successfully raising additional new sources of financing as and when needed;

(iii) Successfully reaching a settlement of the High Court Action 1, High Court Action 2 and Statutory Demand on the Company's forthcoming future;

(iv) Successful collection of outstanding trade receivables and controlling costs and containing capital expenditure so as to generate adequate net cash inflows;

2. BASIS OF PREPARATION (continued)

(v) Successfully managing the impact of the epidemic, as well as any government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its property sales to generate sufficient cash from its operations; and

(vi) Successful maintenance of relationship with the Group's existing lenders such that no action will be taken by the relevant lenders to demand immediate repayment of the borrowings in default, including those with cross-default terms.

Should the Group fail to achieve the abovementioned plans and measures, it might be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their estimated recoverable amounts, to provide further liabilities that might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB").

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

The adoption of IFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarised below.

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

3.1 Impacts on adoption of IFRS 16 Leases

IFRS 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied IFRS 16 *Leases* retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, Comparative information has not been restated and continued to be reported under IAS 17 *Leases*.

On transition to IFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 Leases only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 *Leases* and IFRIC-Int 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 *Leases* has been applied only to contracts entered into or changed on or after 1 January 2019.

The Group as lessee

On adoption of IFRS 16 *Leases*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases* (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was ranging from 12.07% to 16.03%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

3.1 Impacts on adoption of IFRS 16 Leases (continued)

The Group as lessee (continued)

The following table summarises the impact of transition to IFRS 16 *Leases* at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Note	Carrying amount previously reported at 31 December 2018 US$'000	Impact on adoption of IFRS 16 US$'000	Carrying amount as restated at 1 January 2019 US$'000
Right-of-use assets	(a)	–	692	692
Lease liabilities – current portion	(a)	–	(262)	(262)
Lease liabilities – non-current portion	(a)	–	(487)	(487)
Retained earnings	(a)	45,572	(57)	45,515

Note:

a) As at 1 January 2019, right-of-use assets were measured the carrying amount as if IFRS 16 had been applied since the commencement date. Any difference between the right-of-use assets and the lease liabilities was recognised as an adjustment to the opening balance of retained earnings.

The following table summarises the impact on transition to IFRS 16 on retained earnings at 1 January 2019.

	US$'000
Balance at 31 December 2018, as originally stated	45,572
Recognition of difference between right-of-use assets and lease liabilities upon the adoption of IFRS 16 on 1 January 2019	(57)
Balance at 1 January 2019	45,515

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

3.2 Practical expedients applied

On the date of initial application of IFRS 16 *Leases*, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 *Leases* and IFRIC-Int 4 Determining whether an arrangement contains a lease.

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 *Leases* were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17 *Leases*. The total cash flows are unaffected. The adoption of IFRS 16 *Leases* has not resulted in a significant change in presentation of cash flows within the consolidated statement of cash flows.

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	US$'000
Operating lease commitment disclosed as at 31 December 2018	904
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	–
	904
Discounted using the incremental borrowing rate	(155)
Lease liabilities recognised as at 1 January 2019	749
Current portion	262
Non-current portion	487
	749

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 16	COVID-19 – Related Rent Concessions[5]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet been determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 June 2020

The directors of the Company anticipate that, the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Company Ordinance.

The consolidated financial statements have been prepared on historical cost basis, except for financial assets at fair value through other comprehensive income certain financial assets that are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 in the principal (or most advantages) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved where the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the Group's returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's interest in an associate is accounted for in the consolidated financial statements using the equity method. Under the equity method, interest in an associate is initially recognised at cost. The Group's share of the profit or loss of the associate is recognised in profit or loss and other comprehensive income after the date of acquisition. If the Group's share of loss of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net interest in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statement are used by the Group in applying the equity method.

After application of the equity method, including recognising the associate's losses, the Group determines whether there is an objective evidence that the net interest in the associate is impaired. The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset that forms part of the carrying amount of the net interest in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interest in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

The Group recognised revenue from the following major sources:

- Sales of Iron Ore products; and
- Sales of crude oil and other commodities

Sales of Iron Ore products, crude oil and other commodities

Revenue from sales of Iron Ore products, crude oil and other commodities are recognised at a point in time when the control of the goods is transferred to the customers. Control of the goods is considered transferred to customers at the time of delivery.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Leasing

Accounting policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 16 *Leases*, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Accounting policy applicable on or after 1 January 2019 (continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Accounting policy applicable on or after 1 January 2019 (continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 *Provision, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits cost

Payments to the defined contribution plans, state-managed retirement benefit schemes, the Mandatory Provident Fund Scheme (the "MPF scheme") and the Employee Provident Fund (the "EPF scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment held for use in supply of goods, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight line method for the property, plant and equipment. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses, if any, and are amortised based on the UOP method whereby the denominator is the proven and probable reserves and where appropriate the portion of mineral resources considered to be probable of economic extraction.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale is measured at the lower of their previous carrying amount and fair value less costs of disposal.

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the cost of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income ("FVTOCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at amortised cost (debt instruments) (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including ECL, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 10).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss (note 10).

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost as well as financial guarantee. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written-off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL (continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Provisions

Provisions for environmental restoration are recognised when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provision for future decommissioning and restoration is recognised in full on the installation of mining properties. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related mining properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the mining properties. Any change in the present value of the estimated expenditure other than due to passage of time, which is regarded as interest expense, is reflected as an adjustment to the provision and mining properties.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

When measuring fair value except value in use of property, plant and equipment, intangible assets and right-of-use assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Principal versus agent consideration

The Group engages in trading of iron ore products, crude oil and other commodities. The Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in IFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as that the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk and discretion in establishing selling prices of the goods.

Going concern and liquidity

In the process of applying the Group's accounting policies, apart from those involving estimations, management has prepared the consolidated financial statements on the assumption that the Group will be able to operate as a going concern in the coming year, which is a critical judgement that has the most significant effect on the amounts recognised in the financial statements. The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has the capability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption are set out in note 2 to the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty

The followings are 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.

Impairment of property, plant and equipment and intangible assets

Impairment assessment on property, plant and equipment and intangible assets are performed by the management of the Group at the end of each reporting period. When there is an indication of possible impairment identified, the management of the Group assess whether there is any impairment loss. Impairment loss has been recognised if the recoverable amount, being the higher of fair value less cost of disposal or value-in-use, is lower than the carrying amount. In assessing the value-in-use, the management of the Group takes into estimation of discounted future cash flows. In estimating the future cash flows, the management of the Group takes into account the Iron Ore price, recoverable reserves, production costs and operating costs. The estimates used by the management of the Group in calculating future cash flows might be subject to changes due to the inherent uncertainty and the volatility of the iron ore price. Where the actual cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2019, the carrying amounts of property, plant and equipment and intangible assets are approximately US$2,577,000 and US$12,881,000 respectively (2018: US$3,352,000 and US$12,680,000 respectively). Based on the estimated recoverable amounts, no impairment loss in respect of property, plant and equipment and intangible assets has been recognised for the years ended 31 December 2019 and 2018.

Estimated useful life of property, plant and equipment

At the end of each reporting period, the directors of the Company review the estimated useful life of property, plant and equipment with finite useful life. The estimated useful life reflects the directors' estimates of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the assets, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life. The carrying amounts of property, plant and equipment with finite useful life as at 31 December 2019 are US$2,577,000 (2018: US$3,352,000).

Units-of-production amortisation for intangible asset

The Group determines the amortisation of intangible asset by the actual units of production over the estimated reserves of the mines. Further details about the reserve estimates are included below.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Reserve estimates

Proved and probable Iron Ore reserve estimates are estimates of the amount of Iron Ore that can be economically and legally extracted from the Group's mining properties. In determining the estimates, recent production and technical information of each mine will be considered.

Fluctuations in factors including the price of Iron Ore, production costs and transportation costs of Iron Ore, a variation on recovery rates or unforeseen geological or geotechnical perils may render it necessary to revise the estimates of Iron Ore reserves.

Because of the economic assumptions used to estimate reserves changes from period to period, and because of additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group's financial results and financial position in a number of ways, including the following:

- Asset carrying amount may be affected due to change in estimated future cash flows.
- Depreciation, depletion and amortisation charged to the profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Provision for rehabilitation may change where changes in estimated reserves affect expectations about the timing or cost of these activities.
- The carrying value of deferred tax assets may change due to changes in estimates of the likely recovery of the tax benefits.

As at 31 December 2019, the carrying amounts of intangible asset were approximately US$12,881,000 (2018: US$12,680,000).

Impairment of goodwill

The management of the Group tests annually on goodwill in accordance with the accounting policy as disclosed in note 4, based on the recoverable amount. The recoverable amount of each cash-generating unit has been determined based on the higher of value-in-use calculation and fair value less cost of disposal calculation. If the recoverable amount is less than the carrying amount, impairment loss was recognised. The calculations of the recoverable amount require the use of estimates and judgements as disclosed in note 23.

As at 31 December 2019, the carrying amount of goodwill was approximately US$6,718,000 (2018: US$6,649,000). No impairment loss in respect of intangible assets and goodwill has been recognised for the years ended 31 December 2019 and 2018. Details of the value-in-use calculations are disclosed in note 23.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Allowance recognised in respect of trade receivables, loan receivables and other receivables

The impairment provisions for trade receivables, loan receivables and other receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2019, the carrying amounts of trade receivables, loan receivables and other receivables are approximately US$217,959,000 (2018: US$205,093,000), US$5,558,000 (2018: US$8,790,000) and US$1,816,000 (2018: US$430,000) respectively, with accumulated loss allowance on trade receivables, loan receivables and other receivables of approximately US$12,528,000 (2018: nil), US$1,294,000 (2018: nil) and US$414,000 (2018: nil) respectively.

Fair value determination of financial assets at FVTOCI

As disclosed in note 22, as at 31 December 2019, the Group had certain unlisted equity investments which are not quoted in an active market. For the determination of the fair values of financial assets at FVTOCI as at 31 December 2019, the directors of the Company use their judgements and estimates in the underlying assumptions and data for the fair value determination of financial assets at FVTOCI. The directors of the Company are required to estimate the future cash flows expected to arise from these unlisted equity investments and apply the suitable earnings multiples or discounted factors. Where the actual future cash flows are less than expected, a material variance on the fair values of financial assets at FVTOCI may arise. As at 31 December 2019, the fair value of financial assets at FVTOCI was approximately US$9,992,000 (2018: US$15,267,000), with corresponding net decrease in fair value reserve of approximately US$5,275,000 (2018: decrease of US$7,089,000) recognised during the year ended 31 December 2019. The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair values of the fair values of financial assets at FVTOCI.

Income taxes

As disclosed in note 34, no deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately US$7,818,000 (2018: US$7,034,000) due to the unpredictability of future profit streams as at 31 December 2019. The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary difference will be available in the future. In case where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the year in which such a reversal take place.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Provision for rehabilitation

The Group recognises the provision for the rehabilitation of mining 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 mining 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 consolidated 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 2019 was approximately US$509,000 (2018: US$409,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings and notes and bonds disclosed in note 31 and note 32 respectively, net of cash and cash equivalents disclosed in note 26, and equity attributable to the owners of Group, comprising issued share capital, reserves and retained earnings.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through use of debts, payment of dividends and issuance of new shares.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019	2018
	US$'000	US$'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	**225,468**	214,618
Financial assets at FVTOCI	**9,992**	15,267
	235,460	229,885
Financial liabilities		
Other financial liabilities at amortised cost	**178,558**	142,414

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, financial assets at FVTOCI, cash and cash equivalents, trade payables, other payables and accruals, lease liabilities, amount due to ultimate holding company, bank and other borrowings and notes and bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

(i) Currency risk

The Group has certain bank deposits and other borrowings denominated in foreign currencies, i.e. a currency other than the functional currency of the subsidiaries of the Company, which expose the Group to currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets		**Liabilities**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
HKD	**19**	29	**27,718**	–

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging of significant foreign currency exposure should the need arise.

The Group believes that the pegged rate between the US$ and the HK$ will not be materially affected by any changes in the value of US$ against other currencies. In this respect, the Group considers its exposure to foreign currency risk in respect of HK$ to be insignificant.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (note 20), other borrowing (note 31) and notes and bonds (note 32) with fixed interest rate.

The Group is also exposed to cash flow interest rate risk in relation to variable interest rate bank balances (note 26) and bank loans with variable interest rates (note 31). It is the Group's policy to keep its loans at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity Analysis (continued)

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 (2018: post-tax profit for the year) would increase/decrease (2018: decrease/increase) by approximately US$304,000 (2018: US$340,000). This is mainly attributable to the Group's exposure to interest rates on bank balances and variable-rate bank borrowings.

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge all obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables and cash and cash equivalents. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in IFRS 9 *Financial Instruments* to measure the loss allowance at lifetime ECL. The Group determines the ECL on a collectively basis by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-trade related receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase the Group compares the risk of a default occurring on the asset as at the reporting date with the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating result of the borrower;
- significant increase in credit risk on other financial instruments of the borrower; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

				2019			2018		
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
Trade receivables	24	(Note)	Lifetime ECL (simplified approach)	**230,487**	**(12,528)**	**217,959**	205,093	–	205,093
Loan receivables	25	Performing	12-month ECL	**6,852**	**(1,294)**	**5,558**	8,790	–	8,790
Other receivables	25	Performing	12-month ECL	**51**	**–**	**51**	430	–	430
Other receivables	25	Doubtful	Lifetime ECL – not credit impaired	**2,179**	**(414)**	**1,765**	–	–	–
					(14,236)			–	

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 Financial Instruments to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 24 includes further details on the loss allowance for these assets respectively.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The Group's exposure to credit risk (continued)

The carrying amounts of the Group's financial assets at FVTOCI as disclosed in note 22 best represent their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

The Group has concentration of credit risk as 48% (2018: 23%) and 100% (2018: 100%) of the total trade receivables was due from the Group's largest external customer and the top five largest external customers respectively as at 31 December 2019 and 2018.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank and other borrowings and notes and bonds as a significant source of liquidity and the management monitors the utilisation of bank and other borrowings and notes and bonds and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flow. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	At 31 December 2019				
	Within one year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	Total contractual undiscounted cash flows US$'000	Carrying amount US$'000
Trade payables	**10,292**	**–**	**–**	**10,292**	**10,292**
Other payables and accruals	**12,622**	**–**	**–**	**12,622**	**12,622**
Lease liabilities	**119**	**101**	**93**	**313**	**254**
Amount due to ultimate holding company	**60,000**	**–**	**–**	**60,000**	**60,000**
Bank and other borrowings	**54,683**	**–**	**–**	**54,683**	**54,683**
Notes and bonds	**39,711**	**1,242**	**–**	**40,953**	**40,872**
	177,427	**1,343**	**93**	**178,863**	**178,723**

	At 31 December 2018				
	Within one year or on demand US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	Total contractual undiscounted cash flows US$'000	Carrying amount US$'000
Trade payables	1,953	–	–	1,953	1,953
Other payables and accruals	2,384	–	–	2,384	2,384
Lease liabilities	–	–	–	–	–
Amount due to ultimate holding company	60,000	–	–	60,000	60,000
Bank and other borrowings	43,519	–	–	43,519	40,953
Notes and bonds	40,747	–	–	40,747	37,287
	148,603	–	–	148,603	142,577

The amounts included above for variable interest rate non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Fair value measurement objective and policies

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period, grouped into fair value hierarchy Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	At 31 December 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets at FVTOCI				
– Unlisted equity investments	**–**	**–**	**9,992**	**9,992**

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
	US$'000	US$'000	US$'000	US$'000
Financial assets at FVTOCI				
– Unlisted equity investments	–	–	15,267	15,267

There were no transfers between levels of fair value hierarchy in the current and prior years.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

Financial instruments	**Fair value hierarchy**	**Fair value as at 31 December**		**Valuation technique**	**Significant unobservable inputs**	**Range**	**Relationship of key inputs and significant unobservable inputs to fair value**
		2019 US$	2018 US$				
Unlisted equity investments	Level 3	**8,742**	12,359	Market approach — earnings multiples	Mean P/B multiples of 0.9	From 0.5 to 26.4	The higher of earning multiple, the higher the fair value
		1,250	2,908	Market approach — Market value of invested capital	Mean Market value of invested capital over total asset multiples of 0.6	From 0.3 to 0.9	The higher of market value of invested capital over total assets multiple, the higher the fair value
		9,992	15,267				

7. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Fair value measurement objective and policies (continued)

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy, if the unobservable inputs (earnings multiples and market value of invested capital over total asset multiples for unlisted equity investments) to the valuation model were 5% (2018: 5%) higher/lower while all the other variables were held constant, the fair value of the financial assets at FVTOCI would be increased/decreased by approximately US$500.

Reconciliation of Level 3 fair value measurements of financial assets on recurring basis:

	Unlisted equity investments US$'000
At 1 January 2018	23,808
Fair value loss in other comprehensive income	(8,541)
At 31 January 2018 and 1 January 2019	**15,267**
Fair value loss in other comprehensive income	**(5,275)**
At 31 December 2019	9,992

For the year ended 31 December 2019, the fair value loss recognised in other comprehensive income of approximately US$5,275,000 (2018: loss of US$8,541,000) was unrealised gain or loss on unlisted equity investments at FVTOCI held at the end of the reporting period.

The directors of the Company consider that the carrying amounts of current financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

8. REVENUE

Revenue represents revenue arising on sales of iron ore products, crude oil and other commodities. An analysis of the Group's revenue for the year is as follows:

	2019 **US$'000**	2018 US$'000
Revenue from contracts with customers within the scope of IFRS 15		
– Sales of iron ore products	**164,087**	460,434
– Sales of crude oil	**566,290**	413,219
– Sales of other commodities	**324,818**	573,355
	1,055,195	1,447,008

Set out below is the disaggregation of the Group's revenue from contracts with customers by timing of recognition and geographical markets, arising from different reporting segments:

For the year ended 31 December 2019	**Iron ore mining and processing operation US$'000**	**Commercial trade US$'000**	**Total US$'000**
Revenue from goods:			
– Sales of iron ore products	**11,563**	**152,524**	**164,087**
– Sales of crude oil	**–**	**566,290**	**566,290**
– Sales of other commodities	**–**	**324,818**	**324,818**
	11,563	**1,043,632**	**1,055,195**
Timing of revenue recognition:			
– At a point in time	**11,563**	**1,043,632**	**1,055,195**
Geographical markets:			
– PRC	**–**	**970,241**	**970,241**
– Malaysia	**11,563**	**38,170**	**49,733**
– Singapore	**–**	**35,221**	**35,221**
	11,563	**1,043,632**	**1,055,195**

8. REVENUE (continued)

For the year ended 31 December 2018	Iron ore mining and processing operation US$'000	Commercial trade US$'000	Total US$'000
Revenue from goods:			
– Sales of iron ore products	1,553	458,881	460,434
– Sales of crude oil	–	413,219	413,219
– Sales of other commodities	–	573,355	573,355
	1,553	1,445,455	1,447,008
Timing of revenue recognition:			
– At a point in time	1,553	1,445,455	1,447,008
Geographical markets:			
– PRC	–	1,267,904	1,267,904
– South Korea	–	177,551	177,551
– Malaysia	1,553	–	1,553
	1,553	1,445,455	1,447,008

9. SEGMENT INFORMATION

Information reported to the directors of the Company, being the chief operating decision maker (the "CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods provided. No operating segments identified by the CODM has been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments are as follows:

- Iron ore mining and processing operation – mining and sales of iron ore;

- Commercial trade – trading of crude oil and other commodities; and

- Financing operation – investment in equity securities and other financial services.

During the year ended 31 December 2019, the Group reorganised its reporting structure by eliminating the "Sponge Iron production and selling operation" segment so as to enhance operational efficiency, and the chief operation decision maker (i.e. executive directors of the Company) considers that the Sponge Iron mine, through the acquisition of an associate, Pembinaan Sponge Iron Sdb. Bhd., has not yet commenced business during the year which has no significant information presented. This resulted in a change in the composition of the Group's reportable segments. Accordingly, the comparative segment information has been re-presented to conform the current year's presentation.

9. SEGMENT INFORMATION (continued)

Segment revenues and results

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

For the year ended 31 December 2019

	Iron ore mining and processing operation US$'000	Commercial trade US$'000	Financing operation US$'000	Total US$'000
Segment revenue	**11,563**	**1,043,632**	**–**	**1,055,195**
Segment profit (loss)	**260**	**(7,097)**	**325**	**(6,512)**
Unallocated income				**184**
Unallocated corporate expenses				**(3,833)**
Unallocated finance costs				**(14,665)**
Impairment loss on other receivables				**(424)**
Impairment loss on remeasurement of assets held for sale				**(31,636)**
Loss before taxation				**(56,886)**

For the year ended 31 December 2018

	Iron ore mining and processing operation US$'000	Commercial trade US$'000	Financing operation US$'000	Total US$'000
Segment revenue	1,553	1,445,455	–	1,447,008
Segment (loss) profit	(759)	14,043	1,700	14,984
Unallocated income				162
Unallocated corporate expenses				(5,970)
Unallocated finance costs				(5,908)
Share of result of an associate				(1)
Profit before taxation				3,267

9. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss) profit of each segment without allocation of central and other operating expenses, other income and gain, finance costs and share of result of an associate. This is the measure reported to the directors of the Company with respect to the resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	2019 **US$'000**	2018 US$'000
Iron ore mining and processing operation	**16,138**	15,621
Commercial trade	**217,017**	205,081
Financing operations	**5,568**	8,790
Total segment assets	**238,723**	229,492
Investment in an associate	**–**	49,999
Corporate and other assets	**37,639**	23,126
Total assets	**276,362**	302,617

Segment liabilities

	2019 **US$'000**	2018 US$'000
Iron ore mining and processing operation	**659**	554
Commercial trade	**129,437**	124,672
Financing operations	**–**	–
Total segment liabilities	**130,096**	125,226
Corporate and other liabilities	**55,780**	24,580
Total liabilities	**185,876**	149,806

9. SEGMENT INFORMATION (continued)

Segment liabilities (continued)

For the purposes of monitoring segment performance and allocating resources between segments:

– All assets are allocated to operating segment, other than unallocated property, plant and equipment, right-of-use assets, financial assets at FVTOCI, goodwill, deferred tax assets, unallocated deposits, prepayments and other receivables, bank balances and cash and other corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

– All liabilities are allocated to operating segments, other than unallocated other payables and accruals, income tax payable, lease liabilities, amount due to ultimate holding company, bank and other borrowings, notes and bonds and other corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

Other segment information

For the year ended 31 December 2019

	Iron ore mining and processing operation US$'000	Commercial trade US$'000	Financing operation US$'000	Unallocated US$'000	Total US$'000
Amounts include in the measure of segment profit or segment assets:					
Depreciation and amortisation	721	–	–	352	1,073
Loss allowance on trade receivables	73	12,455	–	–	12,528
Impairment loss on loans and other receivables	–	–	1,294	414	1,708
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	–	–	1,609	–	1,609
Finance costs	100	3,580	–	14,665	18,345
Income tax expense	–	–	–	223	223

9. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2018

	Iron ore mining and processing operation US$'000	Commercial trade US$'000	Financing operation US$'000	Unallocated US$'000	Total US$'000
Amounts include in the measure of segment profit or segment assets:					
Depreciation and amortisation	760	–	–	159	919
Written-off of other receivables	–	–	–	314	314
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest income	–	–	1,700	1	1,701
Finance costs	29	4,120	–	5,908	10,057
Income tax expense	–	–	–	733	733
Share of results of an associate	–	–	–	1	1
Interest in an associate	–	–	–	49,999	49,999

Geographical information

During the years ended 31 December 2019 and 2018, the Group's operations are located in Hong Kong and Malaysia.

Information about the Group's revenue from external customers is presented based on the location of the operations.

9. SEGMENT INFORMATION (continued)

Geographical information (continued)

Revenue from external customers

	2019 US$'000	2018 US$'000
Malaysia	**49,733**	1,553
Singapore	**35,221**	–
South Korea	**–**	177,551
PRC	**970,241**	1,267,904
	1,055,195	1,447,008

Substantially all of the Group's operations and non-current assets are in Hong Kong and Malaysia.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2019 US$'000	2018 US$'000
Company A[1]	**492,897**	413,219
Company B[1]	**322,216**	385,904
Company C[1]	**N/A[2]**	224,405
	815,113	1,023,528

1 Revenue from commercial trade segment.

2 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

10. OTHER INCOME

	2019	2018
	US$'000	US$'000
Interest income from loan receivables	**1,609**	1,700
Interest income from bank deposits	**–**	1
Exchange gain, net	**183**	–
Others	**–**	161
	1,792	1,862

11. FINANCE COSTS

	2019	2018
	US$'000	US$'000
Interests on:		
– bank and other borrowings	**12,720**	4,121
– notes	**5,377**	5,907
– bonds	**102**	–
– lease liabilities	**46**	–
Unwinding of discount on provision (note 33)	**100**	29
	18,345	10,057

12. INCOME TAX EXPENSES

	2019	2018
	US$'000	US$'000
Current tax:		
Hong Kong Profits Tax	**200**	969
Under (Over-) provision in prior years:		
Hong Kong Profits Tax	**23**	(229)
Deferred taxation (note 34)	**–**	(7)
	223	733

Notes:

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

b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong Profits Tax of the qualified entities of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other entities of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

c) 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 for the years ended 31 December 2019 and 2018.

12. INCOME TAX EXPENSES (continued)

Notes: (continued)

d) 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% (2018: 24%) on the assessable profits generated during the year.

The income tax expenses can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 US$'000	2018 US$'000
(Loss) profit before taxation	**(56,886)**	3,267
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**(9,386)**	539
Tax effect of expenses not deductible for tax purposes	**2,529**	1,091
Tax effect of income not taxable for tax purposes	**(632)**	(839)
Tax effect of deductible temporary difference not recognised	**7,589**	–
Tax effect of tax losses not recognised	**152**	269
Utilisation of tax losses previously not recognised	**(33)**	(7)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**5**	–
Effect of two-tiered profits tax rates regime	**(21)**	(21)
Effect of Hong Kong Profits Tax exemption granted (note)	**(3)**	(3)
Under (over)-provision in prior years	**23**	(229)
Other	**–**	(67)
Income tax expenses	**223**	733

Note: Hong Kong Profits Tax exemption granted represented a reduction of Hong Kong Profits Tax for the year ended 31 December 2019, subject to a ceiling of HK$20,000 (2018: HK$20,000) (equivalent to approximately US$3,000 (2018: US$3,000)) for each entity.

Details of the deferred taxation are set out in note 34.

13. (LOSS) PROFIT FOR THE YEAR

	2019 US$'000	2018 US$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' and chief executive's emoluments (note 14)	**704**	699
Salaries, wages, allowances and other benefits	**1,024**	1,037
Contributions to retirement benefits scheme (excluding directors', chief executive's and supervisors' emoluments)	**61**	55
Total staff costs	**1,789**	1,791
Auditor's remuneration	**368**	232
Depreciation of property, plant and equipment	**801**	896
Depreciation of right-of-use assets	**238**	–
Amortisation of intangible assets	**34**	23
Impairment loss on trade receivables	**12,528**	–
Impairment loss on other receivables	**1,708**	–
Written-off of other receivables	**–**	314
Amount of inventories recognised as an expense	**1,032,472**	1,426,915
Operating lease charges in respect of rented premises	**52**	339
Exchange loss, net	**–**	326

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of directors' and chief executive's emoluments are as follows:

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:

	Fees US$'000	Salaries, allowances and other benefits US$'000	Employer's contributions to retirement benefits scheme US$'000	Total US$'000
Year ended 31 December 2019				
Executive directors				
Mr. Li Yang ("Mr. Li") (note i)	260	106	7	373
Ms. Li Xiaolan (note i)	130	–	7	137
Mr. Wang Er (note i)	59	–	–	59
Ms. Xu Mijia (note i)	65	13	–	78
Independent non-executive directors				
Mr. Leung Yiu Cho	31	–	–	31
Dr. Li Zhongquan	13	–	–	13
Dr. Wang Ling	13	–	–	13
Total	571	119	14	704

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

Emoluments paid or receivable in respect of a person's services in connection with the management of the affairs of the Company or its subsidiary undertaking:

	Fees US$'000	Salaries, allowances and other benefits US$'000	Employer's contributions to retirement benefits scheme US$'000	Total US$'000
Year ended 31 December 2018				
Executive directors				
Mr. Li (note i)	260	101	7	368
Ms. Li Xiaolan (note i)	104	26	7	137
Mr. Wang Er (note i)	58	–	–	58
Ms. Xu Mijia (note i)	60	12	7	79
Independent non-executive directors				
Mr. Leung Yiu Cho	31	–	–	31
Dr. Li Zhongquan	13	–	–	13
Dr. Wang Ling	13	–	–	13
Total	539	139	21	699

Note:

(i) The remuneration includes remuneration received from the Group by the director in his capacity as an employee of the subsidiaries.

Mr. Li is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

No directors and chief executive of the Company waived or agreed to waive the emolument paid by the Group during the years ended 31 December 2019 and 2018. No emoluments were paid by the Group to the directors as an inducement for joining the Group or as compensation for loss of office during the years end of the Company 31 December 2019 and 2018.

15. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: three) were directors of the Company whose emoluments are set out in note 14. The emoluments of the remaining three (2018: two) highest paid individuals were as follows:

	2019 **US$'000**	2018 US$'000
Salaries, wages, allowances and other benefits	**371**	202
Contributions to retirement benefits scheme	**4**	3
	375	205

Their emoluments were within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000 (equivalent to approximately US$128,000 (2018: US$128,000))	**1**	2
HK$1,000,000 (equivalent to approximately US$128,000 (2018: US$128,000)) to HK$1,500,000 (equivalent to approximately US$192,000 (2018: US$192,000))	**2**	–

16. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

17. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following:

	2019 **US$'000**	2018 US$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(57,110)**	2,534
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share ('000 shares)	**1,500,000**	1,500,000

The dilutive (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2019 and 2018.

18. PROPERTY, PLANT AND EQUIPMENT

	Properties US$'000	Mine properties US$'000	Machinery US$'000	Motor vehicles US$'000	Others US$'000	Total US$'000
COST						
At 1 January 2018	314	2,240	5,709	931	222	9,416
Additions	–	–	–	–	2	2
Exchange alignment	(6)	(42)	(116)	(7)	(1)	(172)
At 31 December 2018 and 1 January 2019	308	2,198	5,593	924	223	9,246
Additions	–	–	–	–	1	1
Written off	–	–	–	(183)	–	(183)
Exchange alignment	3	24	70	4	1	102
At 31 December 2019	311	2,222	5,663	745	225	9,166
DEPRECIATION AND IMPAIRMENT						
At 1 January 2018	26	1,053	3,274	554	182	5,089
Charge for the year	6	246	491	127	26	896
Exchange alignment	–	(16)	(67)	(7)	(1)	(91)
At 31 December 2018 and 1 January 2019	32	1,283	3,698	674	207	5,894
Charge for the year	6	191	496	103	5	801
Written off	–	–	–	(183)	–	(183)
Exchange alignment	–	17	55	4	1	77
At 31 December 2019	38	1,491	4,249	598	213	6,589
NET CARRYING VALUES						
At 31 December 2019	273	731	1,414	147	12	2,577
At 31 December 2018	276	915	1,895	250	16	3,352

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Properties	50 years
Mine properties	10 years
Machinery	7 to 10 years
Motor vehicles	3 to 5 years
Others	3 to 5 years

The net carrying values of property, plant and equipment held under finance leases were as follows:

	2019 **US$'000**	2018 US$'000
Motor vehicles	–	1

As at 31 December 2019, a motor vehicle with a net carrying amount of approximately US$50,000 (2018: US$151,000) was held under custody of Chengdu Hande Investment Management Co., Ltd. ("Chengdu Hande"). The largest shareholder of Chengdu Hande is the father of Mr. Li, the controlling shareholder of the Company.

19. INTANGIBLE ASSETS

	Mining rights and reserves US$'000
COST	
As at 1 January 2018	13,141
Exchange alignment	(229)
As at 31 December 2018 and 1 January 2019	12,912
Exchange alignment	149
As at 31 December 2019	13,061
ACCUMULATED AMORTISATION AND IMPAIRMENT	
As at 1 January 2018	209
Charge for the year	23
As at 31 December 2018 and 1 January 2019	232
Charge for the year	34
Exchange alignment	(86)
As at 31 December 2019	180
NET CARRYING VALUES	
As at 31 December 2019	12,881
As at 31 December 2018	12,680

The mining right represents a mining license acquired for exploration and mining of Iron Ore in Malaysia. The mining right is amortised on a units-of-production basis over the total proved and probable reserves in the mine.

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

	At 31 December 2019 US$'000	At 1 January 2019 US$'000
Office premise	**71**	461
Motor Vehicles	**147**	231
	218	692

The Group has lease arrangements for office premise and motor vehicles with the lease terms of generally ranged from 3 to 6 years.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to approximately US$77,000 due to new leases of office premise.

During the year ended 31 December 2019, the carrying amount of right-of-use assets of approximately US$313,000 was derecognised due to the termination of lease agreements entered into with an independent landlord.

(ii) Lease liabilities

	At 31 December 2019 US$'000	At 1 January 2019 US$'000
Non-current	**167**	487
Current	**87**	262
	254	749

Amounts payable under lease liabilities	At 31 December 2019 US$'000
Within one year	**87**
After one year but within two years	**81**
After two years but within five years	**86**
	254
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(87)**
Amount due for settlement after 12 months	**167**

During the year ended 31 December 2019, the Group entered into one lease agreement in respect of renting properties and recognised lease liabilities of approximately US$77,000.

20. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(ii) Lease liabilities (continued)

During the year ended 31 December 2019, the carrying amount of leases liabilities of approximately US$339,000 was derecognised due to the termination of lease agreements entered into with an independent landlord.

(iii) Amount recognised in profit or loss

	Year ended 31 December 2019 US$'000
Depreciation of right-of-use assets	**238**
Interests on lease liabilities	**46**
Expense relating to short-term leases	**52**

(iv) Others

During the year ended 31 December 2019, the total cash outflow for lease amount to approximately US$279,000.

At 31 December 2019, no lease agreement not yet commenced is committed by the Group.

21. INVESTMENT IN AN ASSOCIATE

	2019 US$'000	2018 US$'000
Cost of investment in an associate – unlisted	**50,000**	50,000
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(1)**	(1)
Reclassified as non-current assets held for sale (note 27)	**(49,999)**	–
	–	49,999

At 31 December 2019 and 2018, the Group had interests in the following associate:

Name of entity	Form of business	Principal place of operation and incorporation/ establishment	Class of shares held	Proportion of ownership interest or participating shares held by the Group		Proportion of voting power held by the Group		Principal activities
				2019	2018	**2019**	2018	
Pembinaan Sponge Iron Sdn. Bhd.	Incorporated	Malaysia	Ordinary shares	**33.3%**	33.3%	**33.3%**	33.3%	Not yet commenced business

21. INVESTMENT IN AN ASSOCIATE (continued)

On 16 April 2020, the directors of Best Sparkle is decided to terminate the Agreement with the controlling shareholder of Pembinaan Sponge Iron and request the controlling shareholder of Pembinaan Sponge Iron to dissolve Pembinaan Sponge Iron and return to Best Sparkle of the contributed shares. An associate is expected to be sold within twelve months, have been classified as non-current assets classified as held for sale (note 27).

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at FVTOCI comprise:

	2019 **US$'000**	2018 US$'000
Equity investments designated as at FVTOCI:		
– Unlisted	**9,992**	15,267
Analysed for reporting purposes as:		
– Non-current assets	**9,992**	15,267

The fair value of these investments is disclosed in note 7.

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in Cayman Islands and the PRC.

In the opinion of the directors of the Company, these equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these equity investments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

23. GOODWILL

	US$'000
COST	
As at 1 January 2018	6,765
Exchange alignment	(116)
As at 31 December 2018 and 1 January 2019	6,649
Exchange alignment	69
As at 31 December 2019	6,718
ACCUMULATED IMPAIRMENT LOSS	
As at 1 January 2018 and 1 January 2019	–
Impairment loss recognised during the year	–
As at 31 December 2019	–
NET CARRYING VALUES	
As at 31 December 2019	6,718
As at 31 December 2018	6,649

For the purpose of impairment testing, goodwill arising from the business combinations was allocated to one individual CGU of the Group, which is included in the Group's Ibam Mine CGU.

23. GOODWILL (continued)

The recoverable amount of this CGU has been determined based on value-in-use calculation, which uses cash flow projections based on financial budgets approved by the management of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated weighted average growth rate of 3% (2018: 3%) for the CGU.

The estimated weighted average growth rates are consistent with the forecast included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the cash-generating unit operates. The cash flows are discounted using pre-tax discount rate of 19.5% (2018: 21%). Key assumptions used for the value-in-use calculation are the revenue, gross margins and growth rates. Management determined the budgeted revenue, gross margins and growth rates based on past performance and its expectation for market development.

24. TRADE RECEIVABLES

	2019	2018
	US$'000	US$'000
Receivables at amortised cost comprise:		
Trade receivables	**230,487**	205,093
Less: loss allowance for trade receivables	**(12,528)**	–
	217,959	205,093

As at 31 December 2019, the gross amount of trade receivables arising from contracts with customers amounted to approximately US$230,487,000 (2019: US$205,093,000).

24. TRADE RECEIVABLES (continued)

The Group normally allows a credit period of not more than 120 days to its customers, although an extension of the credit period is not uncommon for customers who have a long term relationship with the Group. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

The following is an aged analysis of trade receivables, net of loss allowance for trade receivables, presented based on the invoice date, which approximates revenue recognition date at the end of each reporting period.

	2019	2018
	US$'000	US$'000
Within 30 days	**5,064**	51,182
31-60 days	**18,356**	51,754
61-120 days	**70,403**	102,157
Over 120 days	**124,136**	–
	217,959	205,093

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance based on past due status is not further distinguished between the Group's different customer bases.

24. TRADE RECEIVABLES (continued)

The Group recognised lifetime ECL for trade receivables based on the aging of customers collectively that are not individually significant as follows:

As at 31 December 2019	**Weighted average expected loss rate %**	**Gross carrying amount US$'000**	**Loss allowance US$'000**
Not past due	4.6%	**132,887**	**6,136**
With 30 days, past due	4.6%	**5,095**	**236**
31 to 120 days, past due	6.0%	**75,293**	**4,524**
over 120 days, past due	9.5%	**17,212**	**1,632**
		230,487	**12,528**

As at 31 December 2018	Weighted average expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
Not past due	0%	205,093	–

As at 31 December 2018, none of Group's trade receivables was past due as at the end of the reporting period. In the opinion of the Directors, no credit loss allowance was recognised as the amount of expected credit losses on the Group's trade receivables was insignificant.

The movement in the loss allowance for trade receivables is set out below:

	2019 US$'000	2018 US$'000
At 1 January	**–**	–
Loss allowance recognised in profit or loss during the year	**12,528**	–
At 31 December	**12,528**	–

At 31 December 2019, the Group's trade receivables with carrying values of approximately US$229,472,000 (2018: US$205,081,000) have been pledged to secure banking facilities granted to the Group.

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000
Loan receivables from a company (note i)	**6,852**	8,790
Deposits	**33**	122
Prepayments	**145**	39
Other receivables (note ii)	**2,230**	430
	9,260	9,381
Less: loss allowance (note i and ii)	**(1,708)**	–
	7,552	9,381

Notes:

i) As at 31 December 2019, the amount represents a loan with the principal amount of approximately US$6,518,000 (2018: US$8,500,000) made to Shenzhen Wanyuntong Real Estate Development Company Limited* 深圳市萬運通房地產開發有限公司 ("Shenzhen Wanyuntong") and the interest receivables of approximately US$334,000 (2018: US$290,000) thereon. The loan carried effective interest at fixed rates at 20% per annum, unsecured and repayable with interest upon three months' notice by the Group. Details of the loan are set out in the Company's announcement dated 24 December 2015.

During the year ended 31 December 2019, in determining the 12-month ECL for the loan receivable, the directors of the Company have taken into account the historical default experience, the financial position of the counterparty, value of collaterals as well as the future prospects of the industries in which the debtor operate, various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets individually occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during the both years.

In the opinion of the Directors, loss allowance for loan receivables approximately of US$1,294,000 (2018: nil) was recognised during this year.

ii) The Group measures the loss allowance for other receivables at an amount equal to 12-month ECL. The Group recognised 12-month ECL for other receivables based on the internal credit rating of receivables as follows:

	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
At 31 December 2019			
Performing	–	**51**	**–**
Default	19%	**2,179**	**414**
		2,230	**414**

25. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (continued)

Notes: (continued)

ii) (continued)

	Expected loss rate %	Gross carrying amount US$'000	Loss allowance US$'000
At 31 December 2018			
Performing	–	430	–

The movement in the loss allowance for loan receivables is set out below:

	2019 US$'000	2018 US$'000
At 1 January	**–**	–
Loss allowance recognised in profit or loss during the year	**414**	–
At 31 December	**414**	–

26. CASH AND CASH EQUIVALENTS

Bank balances and cash

Bank balances earned interest at floating rates based on daily bank deposit rates which range from 0.1% to 0.3% per annum (2018: 0.1% to 0.3% per annum).

27. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

During the year ended 31 December 2019, the Group decided to dispose the entire, 33.3% of equity interest in an associate, as management has the view that results of fund management business is behind their expectation. The directors expect the disposals will be completed before the end of December 2020. As the marketing process has already begun before the year-end, the assets with a carrying amount of approximately US$18,363,000 have been classified as held for sale in the consolidated statement of financial position.

In accordance with IFRS 5, the assets classified as held for sale are measured at lower of their carrying amount immediately prior to being classified as held for sale and fair value less costs to sell. For the disposal of an associate, impairment loss of US$31,636,000 was recorded as the fair value less costs to sell is lower than the assets' carrying value immediately prior to being classified as held for sale.

The associate approximately of US$18,363,000 has been classified as held for sale in the consolidated statement of financial position.

28. TRADE PAYABLES

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

	2019	2018
	US$'000	US$'000
Within 90 days	**8,372**	1,953
91 to 365 days	**1,920**	–
	10,292	1,953

The average credit period granted by its suppliers ranging from 30 to 60 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

29. OTHER PAYABLES AND ACCRUALS

	2019	2018
	US$'000	US$'000
Other payables	**2,000**	1,973
Interest payables (note)	**9,834**	411
Accruals	**788**	–
	12,622	2,384

Note: Included in interest payables was an amount of approximately US$9,834,000 (2018: US$411,000) which represented the aggregate accrued interests in default in connection with the In Default Borrowings and Cross-default Borrowings.

30. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	2019 US$'000	2018 US$'000
Ultimate holding company		
Cosmo Field	**60,000**	60,000

As at 31 December 2019, the Group has two (2018: two) interest-free loans from the ultimate holding company with aggregate amount of US$60,000,000 (2018: US$60,000,000).

(a) On 27 September 2018, the Company and Cosmo Field entered a shareholder loan agreement ("Shareholder Loan 1") with an outstanding amount of US$20,000,000 to agree to extend the repayment date of Shareholder Loan 1 to 27 September 2019. The Shareholder Loan 1 is unsecured and interest-free.

(b) On 27 September 2018, the Company and Cosmo Field entered a shareholder loan agreement ("Shareholder Loan 2") with an outstanding amount of US$40,000,000 to agree to extend the repayment date of Shareholder Loan 2 to 27 September 2019. The Shareholder Loan 2 is unsecured and interest-free.

On 15 May 2020, Mr. Li, the director, chairman and chief executive officer of the Company and Cosmo Field, the ultimate holding company of the Company, received a writ of summons taken out by Industrial Bank at the High Court of Hong Kong in relation to the Industrial Bank Loan, for which Mr. Li was the guarantor. Pursuant to the High Court Action 1, Industrial Bank brought claim against Cosmo Field and Mr. Li with respect to the default in repayment of the Industrial Bank Loan in the amount of US$45,059,154 (the "Default on Industrial Bank Loan"). Cosmo Field has pledged 752,000,000 shares (representing 50.13% of all issued shares of the Company) in favour of Industrial Bank as security for the Industrial Bank Loan. Cosmo Field has lent the principal amount of the Industrial Bank Loan being US$40,000,000 (i.e. Shareholder Loan 2 as mentioned above) to the Company as an interest-free loan, and Industrial Bank is entitled to claim against the Company for the repayment of the Shareholder Loan 2 pursuant to the assignment of loan as part of security arrangement for the Industrial Bank Loan whereby Cosmo Field has assigned the rights under the Shareholder Loan 2 to Industrial Bank. The Group believes that the Default on Industrial Bank Loan will trigger cross-defaults of other borrowings and loans of the Group.

31. BANK AND OTHER BORROWINGS

	2019	2018
	US$'000	US$'000
Bank loans	**36,533**	40,946
Other loan	**18,150**	–
Hire purchase arrangements	**–**	7
	54,683	40,953

	2019	2018
	US$'000	US$'000
Secured	**36,533**	40,953
Unsecured	**18,150**	–
	54,683	40,953

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	2019	2018
	US$'000	US$'000
Within one year	**54,683**	40,953

31. BANK AND OTHER BORROWINGS (continued)

(a) As at 31 December 2019, bank loans of approximately US$36,533,000 (2018: US$40,946,000) is variable-rate loans. The variable-rate loans carry effective interest rate ranging from 9.37% to 9.59% per annum (2018: 9.44% to 9.59% per annum).

(b) As at 31 December 2019, certain of the Group's bank loans amounting to US$36,533,000 (2018: US$40,953,000) were secured by certain of the Group's trade receivables of an aggregate carrying value of approximately US$229,472,000 (2018: US$205,081,000) and were guaranteed by the Company and a director of the Company.

(c) On 10 December 2018, the Group's and the lender renegotiated the terms of the bank loans with aggregate carrying amount at the end of the reporting period of US$40,946,000 and agreed a repayment schedule pursuant to which the above bank loans plus interest are to be settled by six instalments with the first instalment repayable in November 2019.

As set out in the announcement by the Company dated 20 January 2020, Mr. Li, an executive director, chairman and chief executive officer of the Company, received a writ of summons taken out by OCBC against Mr. Li at the High Court of Hong Kong for the failing to fulfil his obligation as guarantor to settle the amount of HK$308,758,494. The Group has also breached the repayment obligations under the OCBC Loan, and the Breach will trigger cross-defaults of other borrowings and loans of the Group.

(d) The Group acquired certain of its motor vehicles through hire purchase arrangements, which have remaining lease terms of one year. As at 31 December 2019, the Group has fixed-rate hire purchase arrangements which carried interest in 2.47% per annum (2018: 2.47% per annum). As at 31 December 2019, the hire purchase arrangements are secured by the Group's motor vehicles with none carrying amount (2018: US$7,000).

(e) As at 31 December 2019, other loan represented a loan advanced to the Company by an independent financial institution with aggregate principal amount of US$18,150,000 (2018: nil) and secured by the guarantee provided by Mr. Li Yang, the director of a Company. The loan carried fixed interest rate of 3% per month and repayable on 9 July 2019. After 9 July 2019, the loan carried fixed default interest rate of 5% per month during the year.

(f) As at 31 December 2019 and 2018, except the hire purchase arrangements which were denominated in MYR, bank loans and other loan were denominated in US$ and HK$ respectively.

(g) As at 31 December 2019, the accrued interests for the bank loans and other loan are recorded in interest payable (note 29) was approximately US$1,828,000 and US$6,988,000 respectively (2018: US$108,000 and nil respectively).

31. BANK AND OTHER BORROWINGS (continued)

(h) The amount of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	2019	2018
	US$'000	US$'000
Facility amount		
– expiring within one year	**180,000**	180,000
Utilisations		
– expiring within one year	**36,533**	40,946
Unused banking facilities	**143,467**	139,054

32. NOTES AND BONDS

	2019	2018
	US$'000	US$'000
Notes		
– Note 1 (note a)	**20,393**	19,358
– Note 2 (note b)	**18,000**	17,929
	38,393	37,287
Corporate bond (note c)	**2,479**	–
	40,872	37,287

32. NOTES AND BONDS (continued)

	2019	2018
	US$'000	US$'000
Analysed as:		
Current liabilities	**40,872**	37,287

Notes:

(a) On 20 September 2016, the Company entered into a subscription agreement with an independent third party institution (the "Noteholder 1") pursuant to which the Company issued the senior guaranteed notes (the "Note 1") in the principal amount of HK$164,865,750 (equivalent to approximately US$21,270,000) with a final redemption date falling 18 months after the date of issue. The net proceeds amounted to approximately US$20,000,000 as at the issue date. The interest rate for the Note 1 was 12% per annum (the "Original interest rate") and shall be payable quarterly.

The terms and conditions of the Note 1 are summarised as follows:

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

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

- the ratio of the total liabilities of the Company to the total assets of the Company exceeds a specified ratio;

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

- trading in the Company's shares on the Stock Exchange is suspended for more than five consecutive trading days or twenty trading days in any period of twelve months or the closing price per share of the Company shall be less than a specified price during five consecutive trading days.

Upon and at any time after the occurrence of the event of defaults, the Noteholder 1 may give notice to the Company that one or more of the Note 1 shall become immediately due and repayable with all accrued interest.

(2) Redemption option

The Company may not redeem the Note 1 prior to the final redemption date without the prior written consent of the holders of the Note 1.

32. NOTES AND BONDS (continued)

Notes: (continued)

(a) (continued)

(3) Guarantees

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

According to the relevant subscription agreement, the original final redemption date of the Note 1 falls on 19 March 2018 and on that date, the Company entered into a letter agreement (the "Letter Agreement") with the Noteholder 1 pursuant to which the Noteholder 1 has agreed to extend the final redemption date of the Note 1 from 19 March 2018 to 19 May 2018, with an agreed interest to be accrued on the principal balance of the Note 1 from (and including) 20 March 2018 to (and including) the actual date of redemption of the Note 1 in full. According to the Letter Agreement, the Company shall make a payment of US$2,000,000 to the Noteholder 1 on or before 29 March 2018 to be applied first to interest accrued due as at the date of such payment and thereafter to reduce the principal balance of the Note 1.

On 19 May 2018, the Noteholder 1 agreed to further extend the final redemption date of the Note 1 from 19 May 2018 to 31 December 2018. Both the Noteholder 1 and the Company agreed that the Company shall make payment to the Noteholder 1 of an amount of US$500,000 on the last day of each month during the calendar year of 2018, commencing 31 May 2018, save that the amount payable on 31 December 2018 shall be an amount equal to all remaining indebtedness due on or in respect of the Note 1 outstanding at such time, and each payment shall apply first in payment of interest and any other amounts due on or in respect of the Note 1 and thereafter in redemption of the balance of the principal outstanding on the Note 1.

Around and upon maturity, the Company and the Noteholder 1 renegotiated the terms of the Note 1 and entered into another Letter Agreement ("New Letter Agreement") with the Noteholder 1 to further extend the final redemption date from 31 December 2018 to 30 June 2019 on the condition that, among others, the Company shall make payment to the Noteholder 1 of an amount of US$3,000,000 on or before 29 March 2019 and thereafter in an amount of US$500,000 on the last day of each succeeding month commencing on 31 March 2019 save that the amount payable on 30 June 2019 shall be an amount equal to all remaining indebtedness due on or in respect of the Note 1 outstanding at such time, and each payment shall apply first in payment of interest and any other amounts due on or in respect of the Note 1 and thereafter in redemption of the balance of the principal outstanding on the Note 1. According to the New Letter Agreement, interest shall continue to accrue on the principal balance of the Note 1 at a rate of 10% on top of the Original interest rate per annum.

As referred to note (a)(i) above, one of the events of default under the Note 1 is that the ratio of the total liabilities of the Company to the total assets of the Company (the "Debt Ratio") exceeds a specified ratio. As at 31 December 2017, the Debt Ratio had exceeded the specified ratio under the terms of the Note 1. According to the Letter Agreement, the Noteholder 1 had agreed to waive the condition regarding the Debt Ratio with respect to the Company's audited financial statements for the year ended 31 December 2017. On 19 May 2018, the Noteholder 1 further agreed to waive the condition regarding the Debt Ratio with respect to the Group's unaudited interim financial information for the six months ended 30 June 2018.

During the year ended 31 December 2018, 9.12% of the issued shares of Pacific Mining was issued to an independent third party. According to the New Letter Agreement, the Noteholder 1 had agreed to extend its consent to the covenant with respect to the disposal of the 9.12% the issued shares of Pacific Mining.

32. NOTES AND BONDS (continued)

Notes: (continued)

(b) On 19 October 2017, the Company entered into a subscription agreement with an independent third party institution (the "Noteholder 2") pursuant to which the Company issued the 7% fixed coupon guaranteed notes (the "Note 2") in the principal amount of US$20,000,000 with a maturity date of two years from the date of issue. The net proceeds amounted to approximately US$19,800,000 as at the issue date. The interest rate shall be payable by semi-annually.

The terms and conditions of the Note 2 are summarised as follows:

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

- Declare, make or pay dividend or other distribution without the prior written consent of the Noteholder 2;
- Any event occurs which has effect of change of control (within the meaning of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Hong Kong Securities and Futures Commission) of the Company, its subsidiaries or Cosmo Field;
- Mr. Li disposes or encumbers any of the Company's shares held by him, ceases to be the single largest shareholder of the Company, or ceases to hold, directly or indirectly, such number of the Company's shares, representing 55% of the entire issued share capital of the Company; and
- There is suspension of trading of the Company's shares on the Stock Exchange is suspended for five consecutive trading days or more for any reason or cessation of trading of the Company's shares on the Stock Exchange for any reason.

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

(2) Redemption option

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

(3) Guarantees and securities

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

32. NOTES AND BONDS (continued)

Notes: (continued)

(c) In October 2019, the Company issued an unlisted corporate bond, (namely "2019 Bond") with a principal amount of HK$20,000,000 (equivalent to approximately US$2,560,000) to an independent financial institution, I-Access Investors Limited ("I-Access"). These corporate bonds carry nominal interest rates of 15.00% per annum with denomination and issue price of HK$500,000 (equivalent to approximately US$64,000) and periods of three years. The net proceeds amounted to approximately US$2,471,680 as at the issue date. The interest rate shall be payable by annually.

The Company has the right by giving to a bondholder not less than ten working days' written notice at any time and from time to time prior to the maturity date, i.e. three years after the bond issue date (the "Redemption Period"). No right of redemption is granted by the Company during the redemption period.

The aforesaid corporate bond is initially recognised at the amount of the total proceeds net of the cost of issue on the dates of issuance.

On 4 February 2020, a statutory demand under the Companies (Winding Up and Miscellaneous Provisions) Ordinance ("Statutory Demand") was served on the Company by I-Access to demand the Company to pay the outstanding amount of HK$21,019,178 ("I-Access debt") (equivalent to approximately US$2,690,000) within 21 days after the date of the Statutory Demand for repayment of the I-Access debt. On 8 May 2020, the Company and I-Access entered a terms sheet of extended payment schedule (the "extended payment schedule") and provided the Company shall be payable of the I-Access debt for six installments to 22 June 2021. The Group settled an aggregate amount of HK$300,000 to I-Access subsequently in May and June 2020, which in accordance with the extended payment schedule.

As at 31 December 2019, the accrued interests for the corporate bond are recorded in interest payable (note 29) was approximately US$96,000 (2018: nil).

33. PROVISION FOR REHABILITATION

Provision for rehabilitation primarily relate to the mine site rehabilitation.

The following is the provision for rehabilitation recognised by the Group and movement is set out as below:

	2019 **US$'000**	2018 US$'000
At 1 January	**409**	380
Unwinding of discount (note 11)	**100**	29
At 31 December	**509**	409

Provision for rehabilitation is calculated at the net present value of estimated future net cash flows of the mine site rehabilitation, amounting to approximately US$509,000, discounted at 6.4% per annum at 31 December 2019 (2018: 6.4% per annum). The discount rate reflects the current market assessments of the time value of money and the risks specific to the provision.

34. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	2019	2018
	US$'000	US$'000
Deferred tax assets	**–**	13
Deferred tax liabilities	**(2,930)**	(2,910)
	(2,930)	(2,897)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Fair value adjustments arising from acquisition of subsidiaries	Tax losses	Accelerated tax depreciation	Fair value revaluation of financial assets at FVTOCI	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2018	(2,946)	14	(28)	(1,452)	(4,412)
(Charge) credit to profit or loss	–	(12)	19	–	7
Credit to other comprehensive income	–	–	–	1,452	1,452
Exchange alignment	56	–	–	–	56
At 31 December 2018 and 1 January 2019	(2,890)	2	(9)	–	(2,897)
Exchange alignment	(33)	–	–	–	(33)
At 31 December 2019	(2,923)	2	(9)	–	(2,930)

As at 31 December 2019, no deferred tax asset has been recognised in respect of unused tax losses of approximately US$7,818,000 (2018: US$7,034,000) due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

As at 31 December 2019, the Group has deductible temporary difference of approximately US$45,959,000 (2018: nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

35. SHARE CAPITAL

	Number of shares '000	Share capital US$'000
Ordinary share of HK$0.01 each		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	3,000,000	3,867
Issued and fully paid:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,500,000	1,934

36. OPERATING LEASE COMMITMENT

The Group as lessee

Operating lease payments represent rentals payable by the Group for its motor vehicles and office premises. Leases for the year ended 31 December 2018 are negotiated for terms of three to six years.

At 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 US$'000
Within one year	346
In the second to fifth years inclusive	558
	904

37. COMMITMENT

The Group had the following commitments at the end of the reporting period:

(a) Mining fee

The Group has agreed to pay Gema Impak Sdn. Bhd. ("Gema Impak") a mining fee of MYR40 per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance.

(b) Subcontracting fee

Pursuant to the mining sub-contract in relation to Ibam Mine entered into between the Group and the mining contractor, a third party, which has been renewed on 26 December 2016 and continues to be effective until the expiry of the mining lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the mining sub-contract, the mining contractor shall mine and produce iron ore products at Ibam Mine using the machinery or equipment provided by the Group. If the production volume is equal to or less than 30 thousand tonnes per month, the service fee for the mining contractor is MYR60 per tonne of iron ore produced, if the production volume exceeds 30 thousand tonnes per month, the service fee should be re-negotiated and agreed between the Group and the mining contractor.

38. PLEDGE OF ASSETS

At the end of the reporting period, the Group had pledged the following assets to banks and hire-purchase companies to secure the banking facilities, granted to the Group:

	2019	2018
	US$'000	US$'000
Trade receivables	**229,472**	205,081

39. RELATED PARTY TRANSACTIONS

(a) Banking facilities

For the years ended 31 December 2019 and 2018, a director of the Company, Mr. Li, provided guarantee for the grant of banking facilities to the Group.

For the years ended 31 December 2019 and 2018, a director of the Company, Mr. Li, Mr. Li's family member and Cosmo field, the ultimate holding company provided guarantee for the issued 12% senior guaranteed note of the Group.

For the years ended 31 December 2019 and 2018, a director of the Company, Mr. Li and Cosmo field provided guarantee for the issued 7% fixed coupon guaranteed note of the Group.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management personnel during the year was as follows:

	2019 **US$'000**	2018 US$'000
Short-term benefits	**790**	814
Post-employment benefits	**16**	22
	806	836

40. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK$1,500 (equivalent to US$192) per month, to the MPF Scheme, in which the contribution is matched by employees.

As stipulated by rules and regulations in the PRC, subsidiaries in the PRC are required to contribute to a state-managed retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-managed retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-managed retirement plan, the Group has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

The Group operates the EPF Scheme for all qualifying employees in Malaysia. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 1.25% of relevant payroll costs, capped at MYR4,000 (equivalent to US$977) per month, to the EPF Scheme, in which the contribution is matched by employees.

40. RETIREMENT BENEFIT SCHEME (continued)

During the year ended 31 December 2019, the total cost charged to consolidated statement of profit or loss and other comprehensive income of approximately US$75,000 (2018: US$76,000) represents contributions payable to these schemes by the Group in respect of the respective accounting period.

41. CHANGE IN OWNERSHIP INTEREST IN A SUBSIDIARY

During the year ended 31 December 2018, the Group had the following change in its ownership interest in a subsidiary that do not result in a loss of control.

Disposal of partial interest in a subsidiary

In December 2018, the Group disposed of a 9.12% interest in Pacific Mining Resources as consideration of US$50,000,000 in exchange for a 33.33% equity interest in Pembinaan Sponge Iron (the "Partial Disposal"). The Partial Disposal did not result in a loss of control by the Group in Pacific Mining Resources which remains as a subsidiary of the Group after the Partial Disposal. After the Partial Disposal, the Group's ownership interest in Pacific Mining Resources has decreased from 100% to 90.88%.

A schedule of the effect of the Partial Disposal during the year ended 31 December 2018 of disposed interest is as follow:

	2018 US$'000
Consideration received from non-controlling interest	50,000
Less: carrying amount of non-controlling interest disposed of	(1,713)
Difference recognised in other reserves within equity	48,287

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash change. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payable US$'000 (note 29)	Bank loans US$'000 (note 31)	Hire purchase arrangements US$'000 (note 31)	Other loan US$'000 (note 31)	Notes US$'000 (note 32)	Bonds US$'000 (note 32)	Lease liabilities US$'000 (note 20)	Total US$'000
At 1 January 2019	411	40,946	7	–	37,287	–	749	79,400
Financing cash flows:								
— Additions	–	–	–	17,920	–	2,472	–	20,392
— Repayments	(5,894)	(4,413)	(7)	–	(3,000)	–	(279)	(13,593)
Non-cash changes:								
— Accrued interests	15,316	–	–	230	4,106	7	46	19,705
— Lease derecognised due to termination	–	–	–	–	–	–	(339)	(339)
— New lease recognised	–	–	–	–	–	–	77	77
At 31 December 2019	9,833	36,533	–	18,150	38,393	2,479	254	105,642

	Interest payable US$'000 (note 29)	Bank loans US$'000 (note 31)	Hire purchase arrangements US$'000 (note 31)	Notes US$'000 (note 32)	Total US$'000
At 1 January 2018	1,206	55,999	25	40,692	97,922
Financing cash flows:					
— Additions	–	70,989	–	–	70,989
— Repayments	(4,916)	(86,042)	(18)	(9,556)	(100,532)
Non-cash changes:					
— Accrued interests	4,121	–	–	5,907	10,028
— Exchange alignment	–	–	–	244	244
At 31 December 2018	411	40,946	7	37,287	78,651

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2019** **US$'000**	218 US$'000
Non-current assets			
Investments in subsidiaries	(a)	**154,697**	143,042
Current assets			
Prepayments, deposits and other receivables		**12**	–
Tax recoverable		**–**	8
Cash and cash equivalents		**61**	61
		73	69
Current liabilities			
Other payables and accruals		**14,822**	4,562
Other borrowing		**18,150**	–
Notes and bonds		**40,872**	37,287
Amount due to ultimate holding company		**60,000**	60,000
		133,844	101,849
Net current liabilities		**(133,771)**	(101,780)
Net assets		**20,926**	41,262
Equity			
Share capital		**1,934**	1,934
Reserves	(b)	**18,992**	39,328
Total equity		**20,926**	41,262

Notes:

(a) Investments in subsidiaries

	US$'000	US$'000
Investment cost in a subsidiary	**50**	50
Amounts due from subsidiaries	**157,005**	142,992
Less: loss allowance on amounts due from subsidiaries	**(2,358)**	–
	154,697	143,042

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

(b) Movements in reserves

	Share premium US$'000	Retained earnings (accumulated losses) US$'000	Total US$'000
At 1 January 2018	47,541	2,052	49,593
Loss and total comprehensive expense for the year	–	(10,265)	(10,265)
At 31 December 2018 and 1 January 2019	47,541	(8,213)	39,328
Effect of changes in accounting polices (note i)	–	(18)	(18)
At 31 December 2018 and 1 January 2019, as restated	47,541	(8,231)	39,310
Loss and total comprehensive expense for the year	–	(20,318)	(20,318)
At 31 December 2019	47,541	(28,549)	18,992

Note:

(i) The following table summarises the impact on transition to IFRS 16 on retained earnings at 1 January 2019.

	US$'000
Balance at 31 December 2018, as originally stated	(8,213)
Recognition of difference between right-of-use assets and lease liabilities upon the adoption of IFRS 16 on 1 January 2019	(18)
Balance at 1 January 2019	(8,231)

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries as at 31 December 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operation	Class of shares held	Issued and fully paid ordinary share capital/ registered capital	Percentage of equity interest and voting power attributable to the Company				Principal activities
				Direct		Indirect		
				2019	2018	**2019**	2018	
Capital Advantage Company Limited	BVI	Ordinary	US$50,000	**100%**	100%	**–**	–	Investment holding
Best Sparkle Development Limited	BVI	Ordinary	US$50,000	**–**	–	**100%**	100%	Investment holding
Pacific Mining Resources Sdn. Bhd.	Malaysia	Ordinary	MYR10,000	**–**	–	**90.88%**	90.88%	Iron ore mining and production
Capital Advance Sdn. Bhd.	Malaysia	Ordinary	MYR15,000,000	**–**	–	**100%**	100%	Iron ore mining and production
Capital Bukit Besi Sdn. Bhd.	Malaysia	Ordinary	MYR2	**–**	–	**100%**	100%	Inactive
China Bright Industries Limited	Hong Kong	Ordinary	HK$100	**–**	–	**100%**	100%	Sale of iron ore and trading of commodities
China Bright (Pte.) Limited	Singapore	Ordinary	Singapore Dollars 1	**–**	–	**100%**	100%	Inactive
3W Development Limited	Hong Kong	Ordinary	HK$10,000	**–**	–	**100%**	100%	Investment holding
Keen Wise Asia Investment Limited	Hong Kong	Ordinary	HK$1	**–**	–	**100%**	100%	Investment holding
Shenzhen Shihua Information Technology Limited* 深圳實樺信息科技有限公司 (Note i)	PRC	Contributed	RMB5,000,000	**–**	–	**100%**	100%	Investment holding and provision of finance operation
Value Source Ventures Limited	BVI	Ordinary	–	**–**	–	**100%**	100%	Inactive

Note:

(i) The nature of the legal entity established in PRC is limited liability company.

None of the subsidiaries has issued any debt securities outstanding at the end of both years or at any time during both years.

* *For identification purpose only*

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

Details of subsidiaries that have non-controlling interests that are material to the Group:

Name of subsidiary	Place of incorporation	Proportion of ownership interest and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	**2019 US$'000**	2018 US$'000	**2019 US$'000**	2018 US$'000
Pacific Mining Resources	Malaysia	**9.12%**	9.12%	**–**	–	**1,738**	1,713

The summarised financial information in respect of each of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Pacific Mining Resources

	As at 31 December	
	2019 US$'000	2018 US$'000
Current assets	**2**	81
Non-current assets	**19,599**	19,329
Current liabilities	**(550)**	(627)
Net liabilities	**(19,051)**	(18,783)
Equity attributable to owners of the Company	**(17,313)**	(17,070)
Non-controlling interests	**(1,738)**	(1,713)

	For the year ended 31 December	
	2019 US$'000	2018 US$'000
Revenue	**–**	–
Other income	**11**	–
Expense	**(4)**	(7)
Profit (loss) for the year	**7**	(7)
Profit (loss) and total comprehensive income (expenses) attributable to owners of the Company	**6**	(7)
Profit and total comprehensive income attributable to the non-controlling interests	**1**	–
Profit (loss) and total comprehensive income (expenses) for the year	**7**	(7)
Net cash outflow from operating activities	**(4)**	(7)
Net cash outflow	**(4)**	(7)

45. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2019, the Group entered into two new arrangements in respect of office premise. Right-of-use assets and lease liabilities of approximately US$77,000 were recognised at the commencement of the leases.

During the year ended 31 December 2019, pursuant to the termination of lease agreements entered into with an independent landlord, the carrying amount of right-of use assets and lease liabilities of approximately of US$313,000 and US$339,000 were derecognised respectively.

46. EVENTS AFTER REPORTING PERIOD

(a) Impact of COVID-19 outbreak

The outbreak of the novel coronavirus (COVID-19) has affected both the mining, ore processing, sales of iron ore products and other commodities of the Group. Given the ongoing nature of these circumstances, the related impact on the consolidated results of operations, cash flows and financial conditions of the Group could not be reasonably estimated at this stage and will be reflected in their interim financial information for the six months ending 30 June 2020 and consolidated financial statements for the year ending 31 December 2020.

(b) Litigations

On 4 February 2020, a statutory demand dated under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) was served on the Company by I-Access Investors Limited (the "Creditor") to demand the Company to pay the alleged outstanding debt in the amount of approximately HK$21,019,000 (equivalent to US$2,690,000) (the "Debt") within 21 days after the date of the Statutory Demand to pay the Debt. On 5 July 2020, the Group's and the creditor renegotiated the terms of repayment with aggregate carrying amount at the end of reporting period approximately of US$2,479,000 and agreed a repayment schedule pursuant to which the above outstanding debt plus interest are to be settled by six instalments and should be fully repayable on 22 June 2021.

On 16 April 2020, the directors of Best Sparkle are decided to terminate the Agreement with the controlling shareholder of Pembinaan Sponge Iron and request the controlling shareholder of Pembinaan Sponge Iron to dissolve Pembinaan Sponge Iron and return to Best Sparkle of the contributed shares. An associate is expected to be sold within twelve months, have been classified as assets classified as held for sales (note 33). On 13 July 2019, an independent third party has acquired 33.33% issued shares of Pembinaan Sponge Iron which was satisfied by contributing 9.12% of the issued shares of Pacific Mining Resources Sdn. Bhd., a subsidiary of Best Sparkle.

46. EVENTS AFTER REPORTING PERIOD (continued)

(b) Litigations (continued)

On 13 May 2020, the Company received a writ of summons issued in the District Court of Hong Kong by the solicitors acting for Capital Financial Press Limited as the plaintiff (the "Plaintiff"), against the Company for the sum of HK$198,156 (equivalent to US$25,634), being money payable by the Company to the Plaintiff for printing service by the Plaintiff for the Company. On 19 June 2020, the Company settled total sum of HK$230,000 in full and final settlement of the Plaintiff claims through Mr. Li Yang, a director of the Company's on account.

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm the presentation of the current year for the purpose of better representation of the Group's activities.

As further explained in note 3 to the financial statements, the Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, the comparative amounts in the financial statements were not restated and continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION

Financial results	For the year ended 31 December				
(USD'000)	**2019**	2018	2017	2016	2015
Continuing operations					
REVENUE	**1,055,195**	1,447,008	1,104,616	1,240,674	550,168
Cost of sales	**(1,043,615)**	(1,428,623)	(1,088,089)	(1,226,963)	(535,266)
Gross profit	**11,580**	18,385	16,527	13,711	14,902
Other income	**1,792**	1,862	3,398	3,738	2,735
Selling and distribution expenses	**(778)**	(267)	(770)	(180)	(120)
Administrative and other expenses	**(5,263)**	(6,655)	(9,696)	(8,845)	(14,433)
Impairment loss on financial assets, net	**(14,236)**	–	–	–	–
Impairment loss on remeasurement of assets held for sale	**(31,636)**	–	–	–	–
Finance costs	**(18,345)**	(10,057)	(5,444)	(2,836)	(355)
Share of loss of an associate	**–**	(1)	–	–	–
(Loss) Profit before tax from continuing operations	**(56,886)**	3,267	4,015	5,588	2,729
Income tax expenses	**(223)**	(733)	(600)	(1,243)	(2,112)
(Loss) Profit for the year	**(57,109)**	2,534	3,415	4,345	617
Other comprehensive (expenses) income that may be reclassified subsequently to profit or loss:					
Changes in fair value of available-for-sale investments	**–**	–	(76)	5,884	–
Income tax effect	**–**	–	19	(1,471)	–
	–	–	(57)	4,413	–
Exchange differences on translation of foreign operations	**116**	(371)	1,828	(178)	(2,870)
Other comprehensive (expenses) income that will not be reclassified subsequently to profit or loss:					
Changes in fair value of equity investments designated as at fair value through other comprehensive income	**(5,275)**	(8,541)	–	–	–
Income tax effect	**–**	1,452	–	–	–
	(5,275)	(7,089)	–	–	–

FIVE YEAR SUMMARY OF FINANCIAL INFORMATION

Financial results		**For the year ended 31 December**			
(USD'000)	**2019**	2018	2017	2016	2015
Other comprehensive (expenses) income for the year, net of tax	**(5,159)**	(7,460)	1,771	4,235	(2,870)
Total comprehensive (expenses) income for the year, net of tax	**(62,268)**	(4,926)	5,186	8,580	(2,253)
(Loss) Profit for the year attributable to:					
Owners of the Company	**(57,110)**	2,534	3,415	4,345	617
Non-controlling interests	**1**	–	–	–	–
	(57,109)	2,534	3,415	4,345	617
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(62,293)**	(4,926)	5,186	8,580	(2,253)
Non-controlling interests	**25**	–	–	–	–
	(62,268)	(4,926)	5,186	8,580	(2,253)

Assets and Liabilities		**As at 31 December**			
(USD'000)	**2019**	2018	2017	2016	2015
Non-current Assets	**32,386**	87,960	47,857	46,886	58,248
Current Assets	**243,976**	214,657	254,584	196,939	112,375
Total Assets	**276,362**	302,617	302,441	243,825	170,623
Non-current Liabilities	**(3,606)**	(3,319)	(24,634)	(24,782)	(17,256)
Current Liabilities	**(182,270)**	(146,487)	(170,070)	(116,492)	(59,396)
Total Liabilities	**(185,876)**	(149,806)	(194,704)	(141,274)	(76,652)
Equity attributable to:					
Equity Shareholders of the Company	**88,748**	151,098	107,737	102,551	93,971
Non-controlling interest	**1,738**	1,713	–	–	–
Total Equity	**90,486**	152,811	107,737	102,551	93,971

GLOSSARY

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

"AGM"	the annual general meeting of the Company
"Articles of Association" or "Articles"	the articles of association of the Company which is effective from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Best Sparkle"	Best Sparkle Development Ltd., a company incorporated in the BVI with limited liability on 25 August 2010, an indirect subsidiary of the Company.
"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 Development Limited, 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, an indirect 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. Li Yang, Mr. Wang Er and Ms. Li Xiaolan and is deemed as a connected person of our Company under the Listing Rules
"Chief Executive Officer"	the chief executive (as defined in the SFO) of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this report and for geographical reference only and except where the context requires, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules, and in the context of this annual report means the controlling shareholders of our Company, namely Cosmo Field and Mr. Li Yang, and Controlling Shareholder means any one of them
"Cosmo Field"	Cosmo Field Holdings Limited (宇田控股有限公司), a company incorporated in the BVI with limited liability on 26 March 2012, and which is wholly owned by Mr. Li Yang
"COSO"	The Committee of Sponsoring Organizations of the Treadway Commission, a joint initiative dedicated to the development of frameworks and guidance on enterprise risk management, international control and fraud deterrence

GLOSSARY

"Deed of Non-Competition"	a deed of non-competition entered into on 9 June 2013 between the Company and each of Mr. Li Yang and Cosmo Field, as covenantors, each of Mr. Li Yang and Cosmo Field in favour of the Company (for ourselves and for the benefit of each member of our Group) that he/it shall not, and shall procure his/its associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group
"Director(s)"	the director(s) of the Company
"ESG"	Environment, Social and Governance as referred in Appendix 27 of the Listing Rules
"ESG Reporting Guide"	Guide on Environment, Social and Governance Reporting set out in Appendix 27 of the Listing Rules
"Gema Impak"	Gema Impak Sdn. Bhd., a company incorporated in Malaysia on 4 December 2006 with Pacific Mining holding 50% shareholding interest in Gema Impak as nominee, the details of which is set out in our announcement dated 7 November 2014
"Group", "we" or "us"	Our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our current subsidiaries, our current subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "our" shall be construed accordingly
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hua Heng"	Hua Heng Investments Limited (華恒投資有限公司), a company incorporated in the BVI with limited liability on 23 March 2012, 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

GLOSSARY

"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Independent Technical Advisor" or "Geos Mining"	Geos Mining, an Independent Third Party and the Competent Person (which has the meaning ascribed to it under Chapter 18 of the Listing Rules) appointed by our Company in respect of the Listing, and a specialist independent geological and mineral exploration consultants based in Sydney, Australia and operating in accordance with Australian laws and professional codes of ethics
"Independent Third Party(ies)"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the Directors, Chief Executive Officers, Substantial Shareholders of the Company or any of its subsidiaries and their respective associates, and "Independent Third Party" means any of them
"inferred resource"	part of the iron ore resource for which tonnage, grade and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"iron ore products"	the products produced from our iron ore crushing and beneficiation facilities in the form of iron ore concentrates and iron ore fines
"JORC"	the Australasian Joint Ore Reserves Committee
"JORC Code"	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
"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

GLOSSARY

"Malaysian Companies Act 1965"	the Companies Act 1965 of Malaysia and any subsequent amendment(s) thereof
"mining volume"	the aggregate volume of produced ore volume excluding stripping rock volume
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOU"	memorandum of understanding
"Mt"	million tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"Nomination Committee"	the nomination committee of the Board
"Pacific Mining"	Pacific Mining Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 31 August 2007, and which is 90.88% owned by Best Sparkle Development Ltd., and an indirect subsidiary of our Company
"probable reserves"	the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined
"Project Ibam"	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement
"Prospectus"	the prospectus dated 30 June 2013 issued by the Company in connection with the Global Offering and the Listing
"Red Sun Resources"	Red Sun Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares which the interest on a parcel of land located at Bukit Besi, Terengganu, Malaysia would be transferred
"Remuneration Committee"	the remuneration committee of the Board
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

GLOSSARY

"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
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent
"3W Development"	3W Development Limited, a company incorporated in Hong Kong as a private company Limited by shares on 25 February 2014 and which is an indirect wholly- owned subsidiary of the Company

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Mr. Leung Yiu Cho
Dr. Li Zhongquan
Dr. Wang Ling

AUDIT COMMITTEE

Mr. Leung Yiu Cho *(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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 22, D&E
Level 22, Menara
Zenith, Putra Square
MSC Kuantan, 25200
Kuantan, Pahang
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2413A, 24/F,
Lippo Centre Tower One,
89 Queensway,
Admiralty,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
22/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.caa-resources.com

STOCK CODE

02112