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

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

**FINANCIAL HIGHLIGHTS**

- The Group's revenue reached approximately USD1,104.6 million, representing 11.0% lower than USD1,240.7 million recorded in the year of 2016.

- The sales volume of iron ore products, on dry basis, for 2017 was approximately 13,320 Kt, representing 28.9% lower than 18,727 Kt recorded in 2016.

- The Group's gross profit reached approximately USD16.5 million, approximately 20.5% higher than the approximately USD13.7 million recorded in year of 2016.

- Profit for the year ended 31 December 2017 decreased by 21.4%, from approximately USD4.3 million for the year ended 31 December 2016 to approximately USD3.4 million for the year ended 31 December 2017.

- The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2017.

- Basic earnings per Share for the year ended 31 December 2017 was USD0.23 cents (2016: USD0.29 cents).

* *For identification only*

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 ("the year under review") together with the comparative figures for the year ended 31 December 2016 as follows:

**Consolidated Statement of Profit or Loss and Other Comprehensive Income**
*Year ended 31 December 2017*

| | *Notes* | **2017** **USD'000** | 2016 *USD'000* |
|---|---|---|---|
| **Revenue** | 4 | **1,104,616** | 1,240,674 |
| Cost of sales | | **(1,088,089)** | (1,226,963) |
| **Gross profit** | | **16,527** | 13,711 |
| Other income and gains | | **3,398** | 3,738 |
| Selling and distribution expenses | | **(770)** | (180) |
| Administrative expenses | | **(8,684)** | (5,379) |
| Other expenses | | **(1,012)** | (3,466) |
| Finance costs | 5 | **(5,444)** | (2,836) |
| **Profit before tax** | 6 | **4,015** | 5,588 |
| Income tax expense | 7 | **(600)** | (1,243) |
| Profit for the year | | **3,415** | 4,345 |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods: | | | |
| Change in fair value of available-for-sale investments | | **(76)** | 5,884 |
| Income tax effect | | **19** | (1,471) |
| | | **(57)** | 4,413 |
| Exchange differences on translation of foreign operations | | **1,828** | (178) |
| Other comprehensive income for the year, net of tax | | **1,771** | 4,235 |
| **Total comprehensive income for the year attributable to owners of the company** | | **5,186** | 8,580 |
| Earnings per share attributable to ordinary equity holders of the Company: | | | |
| Basic and diluted (U.S. cents) | 8 | **0.23** | 0.29 |

The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2017.

## Consolidated Statement of Financial Position

*31 December 2017*

| | Notes | 2017 USD'000 | 2016 USD'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **4,327** | 4,816 |
| Mining rights and reserves | | **12,932** | 11,782 |
| Available-for-sale investments | 9 | **23,808** | 23,884 |
| Goodwill | | **6,765** | 6,172 |
| Deferred tax assets | | **25** | 232 |
| **Total non-current assets** | | **47,857** | 46,886 |
| **Current assets** | | | |
| Trade receivables | 10 | **194,476** | 91,918 |
| Prepayments, deposits and other receivables | 11 | **50,899** | 19,055 |
| Pledged deposits | | **7,124** | 11,044 |
| Cash and cash equivalents | | **2,085** | 74,922 |
| **Total current assets** | | **254,584** | 196,939 |
| **Current liabilities** | | | |
| Trade payables | 12 | **26,078** | 24,268 |
| Other payables and accruals | 13 | **63,503** | 52,707 |
| Interest-bearing bank and other borrowings | 14 | **56,017** | 33,715 |
| Notes | 15 | **20,882** | – |
| Tax payable | | **3,590** | 5,802 |
| **Total current liabilities** | | **170,070** | 116,492 |
| **NET CURRENT ASSETS** | | **84,514** | 80,447 |
| **Total assets less current liabilities** | | **132,371** | 127,333 |

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***USD'000*** | *USD'000* |
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | 14 | **7** | 23 |
| Notes | 15 | **19,810** | 20,213 |
| Deferred tax liabilities | | **4,437** | 4,193 |
| Provision for rehabilitation | | **380** | 353 |
| **Total non-current liabilities** | | **24,634** | 24,782 |
| **Net assets** | | **107,737** | 102,551 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Issued capital | 16 | **1,934** | 1,934 |
| Reserves | | **105,803** | 100,617 |
| **Total equity** | | **107,737** | 102,551 |

## 1. CORPORATE AND GROUP INFORMATION

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

During the year ended 31 December 2017, the Group was principally engaged in sales of iron ore products and other commodities to steel manufacturers and/or their respective purchase agents in Mainland China and other commodity trading companies, as well as investment holding.

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

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company % | Principal activities |
|---|---|---|---|---|
| *Directly held:* | | | | |
| Capture Advantage Co., Ltd. ("Capture Advantage") | BVI | USD50,000 | 100 | Investment holding |
| *Indirectly held:* | | | | |
| Best Sparkle Development Ltd. | BVI | USD50,000 | 100 | Investment holding |
| Value Source Ventures Limited | BVI | – | 100 | Investment holding |
| Capture Advance | Malaysia | RM15,000,000 | 100 | Iron ore mining and iron ore beneficiation |
| Pacific Mining Resources Sdn. Bhd. ("Pacific Mining") | Malaysia | RM100 | 100 | Iron ore mining and iron ore beneficiation |
| Capture Bukit Besi Sdn. Bhd. ("Capture Bukit Besi") | Malaysia | RM2 | 100 | Inactive |

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

## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. They have been prepared under the historical cost convention, except for available-for-sale equity investments which have been measured at fair value. The consolidated financial statements are presented in United States dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

### Going concern basis

The Group has negative operating cash outflows for four consecutive years. In addition, the original final redemption date of the Note 1 in the aggregate of the principal and accrued interest amount of approximately USD21,889,000 falls on 19 March 2018. The Company entered into a Letter Agreement with the relevant note holder to extend the final redemption date of the above notes from 19 March 2018 to 19 May 2018 on the condition that, among others, the Company shall make a payment of USD2,000,000 to the relevant note holder 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 above notes.

In view of these circumstances, the Group has obtained commitment letters from three major customers which promised to repay their trade debts to the Group that have been due on 26 March 2018 and/or which will be due in April 2018 before 30 April 2018 (the "Agreed Date"). In addition, the directors of the Company prepared a cash flow forecast for a period of 12 months ending 31 December 2018, which has taken into consideration the Group's cash position, expected status of subsequent settlement of trade receivables, expected financial performance of the Group, expected liquidity requirements and its available facilities from its principal bankers. The directors are of the opinion that the Group will have sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due in the foreseeable future. The consolidated financial statements for the year have been prepared on a going concern basis, the validity of which depends upon the success of the Group in generating sufficient cash flows from operations, especially the successful collection of trade receivables from the three major customers by the Group on or before the Agreed Date.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

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

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

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

## 2.2 APPLICATION OF NEW AND REVISED IFRSs

The Group has applied, for the first time, the following amendments to IFRSs which are effective for annual periods beginning on or after 1 January 2017.

| | |
|---|---|
| Amendments to IAS 7 | Disclosure Initiative |
| Amendments to IAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses |
| Amendments to IFRS 12 | As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle |

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### Amendments to IAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. Apart from additional disclosure required by the amendments, the application of these amendments has had no impact of the Group's consolidated financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

| | |
|---|---|
| Amendments to IFRS 2 | Classification and Measurement of Share-based Payment Transactions [1] |
| Amendments to IFRS 4 | Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts [1] |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation [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 IAS 28 | Long-term Interests in Associates and Joint Ventures [2] |
| Amendments to IAS 28 | As part of the Annual Improvements to IFRSs 2014 – 2016 Cycle [1] |
| Amendments to IAS 40 | Transfers of Investment Property [1] |
| Amendments to IFRSs | Annual Improvements to IFRSs 2015 – 2017 Cycle [2] |
| IFRS 9 | Financial Instruments [1] |
| IFRS 15 | Revenue from Contracts with Customers and the related Clarifications [1] |
| IFRS 16 | Leases [2] |
| IFRS 17 | Insurance Contracts [4] |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration [1] |
| IFRIC 23 | Uncertainty over Income Tax Treatment [2] |

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] No mandatory effective date yet determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

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

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group currently plans to adopt IFRS 9 from 1 January 2018. During 2017, the Group performed a detailed assessment of the impact of the adoption of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

IFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39. It will apply to the Group's financial assets measured at amortised cost. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

**IFRS 15 Revenue from Contracts with Customers and the related Clarifications**

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued Clarifications to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group currently plans to adopt IFRS 15 on 1 January 2018. The Group has assessed that the application of IFRS 15 will not have a significant impact on the consolidated financial statements of the Group.

**IFRS 16 Leases**

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group currently plans to adopt IFRS 16 on 1 January 2019. As at 31 December 2017, the Group had non-cancellable operating lease commitments of USD538,000. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under IFRS 16 will replace the rental charge under IAS 17. The operating lease commitments as shown in off-balance sheet items will be replaced by "right-of-use asset" and "lease liability" in the consolidated statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

## 3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

**Year ended 31 December 2017**

| | Mine operation *USD'000* | Commercial trade *USD'000* | Financing operation *USD'000* | Total *USD'000* |
|---|---|---|---|---|
| **SEGMENT REVENUE** | **–** | **1,104,616** | **–** | **1,104,616** |
| **SEGMENT RESULTS** | **(629)** | **4,185** | **2,197** | **5,753** |
| *Reconciliation:* | | | | |
| Interest income on bank deposits | | | | **1** |
| Foreign currency gains, net | | | | **757** |
| Corporate and other unallocated expenses | | | | **(2,496)** |
| Profit before tax | | | | **4,015** |
| **SEGMENT ASSETS** | **30,154** | **237,192** | **32,308** | **299,654** |
| *Reconciliation:* | | | | |
| Cash and cash equivalents | | | | **2,085** |
| Deferred tax assets | | | | **25** |
| Corporate and other unallocated assets | | | | **677** |
| Total assets | | | | **302,441** |
| **SEGMENT LIABILITIES** | **1,589** | **184,912** | **–** | **186,501** |
| *Reconciliation:* | | | | |
| Tax payable | | | | **3,590** |
| Deferred tax liabilities | | | | **4,437** |
| Corporate and other unallocated liabilities | | | | **176** |
| Total liabilities | | | | **194,704** |
| **OTHER SEGMENT INFORMATION** | | | | |
| Interest income | **413** | **–** | **2,197** | **2,610** |
| Finance costs | **29** | **5,415** | **–** | **5,444** |
| Depreciation and amortisation | **757** | **–** | **–** | **757** |

Year ended 31 December 2016

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

**Entity-wide disclosures**

*Geographical information*

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Domestic – Malaysia | **–** | 1,342 |
| Overseas – Netherlands | **1,692** | – |
| Overseas – South Korea | **23,303** | – |
| Overseas – The People's Republic of China ("PRC") | **1,079,621** | 1,239,332 |
| | **1,104,616** | 1,240,674 |

At the end of the reporting period, except for certain office furniture and motor vehicles located in Hong Kong and Mainland China with the respective net carrying amounts of USD30,000 (2016: USD57,000) and USD277,000 (2016: USD404,000), all of the Group's non-current assets excluding financial instruments were located in Malaysia, place of domicile of the Group's principal subsidiary, Capture Advance.

*Information about major customers*

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Customer A | **326,836** | 254,454 |
| Customer B | **204,742** | 445,381 |
| Customer C | **157,748** | * |
| Customer D | ** | 182,448 |

* Less than 10%

## 4. REVENUE

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Iron ore products | **992,707** | 1,073,941 |
| Copper cathodes | **78,566** | 108,257 |
| Nickel cathodes | **27,475** | 48,370 |
| Lead ore products | **4,176** | – |
| Aluminium | **1,692** | – |
| Pig iron | **–** | 7,200 |
| Poly carbonate | **–** | 2,906 |
| | **1,104,616** | 1,240,674 |

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Interest on bank loans | **1,699** | 1,330 |
| Interest on notes | **3,716** | 929 |
| Notional interest on a loan from the ultimate holding company | **–** | 530 |
| Interest on hire purchase arrangements | **2** | 21 |
| Unwinding of discount on provision | **27** | 26 |
| | **5,444** | 2,836 |

## 6. PROFIT BEFORE TAX

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Cost of inventories sold | **1,088,089** | 1,226,963 |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages and salaries | **1,813** | 1,464 |
| Pension scheme contributions | | |
| – Defined contribution schemes | **54** | 39 |
| Welfare and other benefits | **229** | 139 |
| Total employee benefit expense | **2,096** | 1,642 |
| Depreciation | **893** | 942 |
| Amortisation of intangible assets | **23** | 23 |
| Depreciation and amortisation expenses | **916** | 965 |
| Operating lease payments in respect of: | | |
| Motor vehicles | **111** | 128 |
| Office | **205** | 235 |
| Auditor's remuneration | | |
| Current year | **186** | 350 |
| Under-provision in prior year | **8** | – |
| Interest income* | **(2,611)** | (3,730) |
| Write-off of payment in advance** | **–** | 50 |
| Loss on disposal of items of property, plant and equipment** | **–** | 73 |
| Foreign currency (gains)/losses, net* | **(757)** | 1,129 |
| Imputed interest accelerated amortisation on an early settlement of a loan from the ultimate holding company** | **–** | 583 |
| (Over-provision of tax surcharges in prior year)/tax surcharges** | **(16)** | 290 |

* These are included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. The amount of foreign currency losses of USD1,129,000 for the year ended 31 December 2016 was included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

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

## 7. INCOME TAX

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

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

Pursuant to the income tax rules and regulations in Malaysia, the subsidiaries located in Malaysia are liable to Malaysia corporate income tax at a rate of 24% (2016: 24%) on the assessable profits generated during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

The major components of income tax expense are as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Current tax – Hong Kong | | |
| Charge for the year | **1,108** | 1,373 |
| Overprovision in prior year | **(696)** | – |
| | **412** | 1,373 |
| Deferred tax | **188** | (130) |
| Total tax charge for the year | **600** | 1,243 |

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Profit before tax | **4,015** | 5,588 |
| Tax at Hong Kong statutory tax rate of 16.5% (2016: 16.5%) | **766** | 1,085 |
| Tax at Malaysia statutory tax rate of 24% (2016: 24%) | **(151)** | (236) |
| Benefit of tax losses not recognised | **–** | 126 |
| Tax effect of utilisation of tax losses not previously recognised | **(57)** | – |
| Tax effect of income not subject to tax | **(744)** | (262) |
| Tax effect of expenses not deductible for tax | **1,274** | 661 |
| Overprovision in prior year | **(476)** | – |
| Effect of change in tax rate | **–** | (122) |
| Others | **(12)** | (9) |
| Tax charge at the Group's effective tax rate | **600** | 1,243 |

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,500,000,000 (2016: 1,500,000,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2016 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Unlisted equity investments, at fair value | **23,808** | 23,884 |

During the year, the gross loss in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to USD76,000 (2016: gross gain of USD5,884,000).

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

## 10. TRADE RECEIVABLES

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Within 3 months | **128,712** | 91,612 |
| 3 to 6 months | **65,764** | 306 |
| | **194,476** | 91,918 |

The Group normally accepts settlement by way of irrevocable letter of credit or telegraphic transfer. During the year, the Group granted credit periods of three to four months to its major customers. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

| | 2017 | 2016 |
|---|---|---|
| | *USD'000* | *USD'000* |
| Neither past due nor impaired | **144,752** | 91,612 |
| Less than 1 month past due | **20,010** | 306 |
| Past due more than 1 month but less than 3 months | **24,472** | – |
| Past due more than 3 months | **5,242** | – |
| | **194,476** | 91,918 |

Receivables that were past due but not impaired relate to several independent customers that have a good track record with the Group. The Directors are of the opinion that no provision for impairment is necessary in respect of these past due balances as the receivables were substantially collected subsequently.

Trade receivables of USD55,037,000 (2016: USD30,149,000) were pledged to banks to secure bank loans (note 14(a)).

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | | 2017 | 2016 |
|---|---|---|---|
| | *Notes* | *USD'000* | *USD'000* |
| Prepayments in respect of purchase of iron ore | (a) | **35,592** | 1,662 |
| Other receivables in respect of: | | | |
| – disposal of property, plant and equipment | (b) | **6,438** | 5,456 |
| – termination of acquisition of a 60% equity interest in a company | (c) | **–** | 2,300 |
| – interest-bearing loan to a company | (d) | **8,500** | 8,500 |
| Other prepayments, deposits and receivables | | **369** | 1,137 |
| | | **50,899** | 19,055 |

*Notes:*

(a) As at 31 December 2017, the Group had prepayments in the aggregate amount of approximately USD35,592,000 made to two suppliers for purchase of iron ores. According to the relevant purchase agreements entered into with the relevant suppliers, the said prepayments are used to deduct the shipment value of iron ore to be provided by the relevant suppliers to the Group for the first half year of 2018.

(b) In December 2015, the Group disposed of some of its machinery in Malaysia ("Disposed Machinery") to an independent third party (the "Buyer") for an aggregate consideration of RM52,300,000 equivalent to approximately USD12,181,000 as at 31 December 2015. According to the agreement entered into between the Group and the Buyer, the aggregate consideration will be settled by two equal instalments before the end of 31 December 2016 and 31 December 2017, respectively. This receivable is secured by the pledge of the Disposed Machinery.

During the year ended 31 December 2016, the Group had received 50% of the consideration. The remaining balance of the consideration amounting to RM26,150,000 equivalent to approximately USD6,438,000 as at 31 December 2017 remained unsettled up to 31 December 2017. On 5 March 2018, the Group entered into a supplemental agreement (the "Supplemental Agreement") with the Buyer to extend the payment term of the remaining consideration to 31 December 2018. The Buyer is required to pay interest on the unsettled balance to the Group at the interest rate of 5% per annum on a quarterly basis.

(c) The balance represented the prepayment of USD2,300,000 to two independent third parties in relation to the proposed acquisition of a 60% equity interest in Red Sun Resources Sdn. Bhd. ("Red Sun"), which was due to be fully collected before 31 December 2016 due to the termination of the proposed acquisition. During the year ended 31 December 2017, the balance was fully settled through the Group's purchases of iron ore products from Red Sun.

(d) The balance represents a loan with a principal of USD8,500,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2016: USD8,500,000), the details of which are set out in the announcement dated 24 December 2015.

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

## 12. TRADE PAYABLES

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

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Within 3 months | **26,052** | 24,192 |
| 6 months to 12 months | **–** | 2 |
| Over 1 year | **26** | 74 |
| | **26,078** | 24,268 |

Trade payables are non-interest-bearing and are normally settled within 1 month.

## 13. OTHER PAYABLES AND ACCRUALS

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Due to the ultimate holding company | **60,000** | 50,000 |
| Advances received from customers | **–** | 676 |
| Other payables and accruals | **3,503** | 2,031 |
| | **63,503** | 52,707 |

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

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | | **2017** | | | 2016 | | |
|---|---|---|---|---|---|---|---|
| | *Notes* | **Effective interest rate (%)** | **Maturity** | ***USD'000*** | Effective interest rate (%) | Maturity | *USD'000* |
| **Current** | | | | | | | |
| Bank loans – secured | (a) | **2.29-3.89** | **2018** | **55,999** | 3.02-3.18 | 2017 | 30,137 |
| Bank loans – unsecured | (d) | | | **–** | 1.70 | 2017 | 3,522 |
| Hire purchase arrangements – secured | (b) | **2.36-2.47** | **2018** | **18** | 2.36-2.54 | 2017 | 25 |
| Hire purchase arrangements – unsecured | (c) | | | **–** | – | 2017 | 31 |
| | | | | **56,017** | | | 33,715 |
| **Non-current** | | | | | | | |
| Hire purchase arrangements – secured | (b) | **2.36-2.47** | **2019–2020** | **7** | 2.36-2.47 | 2018–2020 | 23 |
| | | | | **56,024** | | | 33,738 |

**Analysed into:**

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| *Bank loans repayable:* | | |
| Within one year | **55,999** | 33,659 |
| *Hire purchase arrangements repayable:* | | |
| Within one year | **18** | 56 |
| In the second year | **6** | 17 |
| In the third to fifth years, inclusive | **1** | 6 |
| | **25** | 79 |
| | **56,024** | 33,738 |

*Notes:*

(a) As at 31 December 2017, the bank loans of China Bright HK, an indirect wholly-owned subsidiary of the Company, were secured by the pledged bank balances of USD4,865,000 (2016: USD5,790,000) and by certain trade receivables of USD55,037,000 (2016: USD30,149,000) (note 10), and were guaranteed by the Company at nil consideration.

(b) The Group acquired certain of its motor vehicles through hire purchase arrangements, which are classified as finance leases and have remaining lease terms ranging from one to five years. As at 31 December 2017, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles acquired with an aggregate carrying amount of USD6,000 (2016: USD6,000).

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

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

(e) Except for the hire purchase arrangements which were denominated in RM and the issued notes with carrying amount of USD20,882,000 which was denominated in HKD, all borrowings were denominated in USD.

At 31 December 2017, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

| | **Minimum lease payments 2017** *USD'000* | Minimum lease payments 2016 *USD'000* | **Present value of minimum lease payments 2017** *USD'000* | Present value of minimum lease payments 2016 *USD'000* |
|---|---|---|---|---|
| Amounts payable: | | | | |
| Within one year | **19** | 58 | **18** | 56 |
| In the second year | **6** | 17 | **6** | 17 |
| In the third to fifth years, inclusive | **1** | 6 | **1** | 6 |
| Total minimum hire purchase payments | **26** | 81 | **25** | 79 |
| Future finance charges | **(1)** | (2) | | |
| Total net hire purchase payables | **25** | 79 | | |
| Portion classified as current liabilities | **(18)** | (56) | | |
| Non-current portion | **7** | 23 | | |

## 15. NOTES

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | ***USD'000*** | *USD'000* |
| Current: | | | |
| Note 1 – redemption falling due within one year | (a) | **20,882** | – |
| Non-current: | | | |
| Note 1 – redemption falling due after one year | (a) | **–** | 20,213 |
| Note 2 – redemption date falling due after one year | (b) | **19,810** | – |
| | | **19,810** | 20,213 |
| Total | | **40,692** | 20,213 |

*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 HKD164,865,750 (equivalent to approximately USD21,270,000) with a final redemption date falling 18 months after the date of issue. The net proceeds amounted to approximately USD20,000,000 as at the issue date. The interest should be payable quarterly.

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

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

– the Company or a wholly-owned subsidiary(ies) 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 Yang fails to remain as the controlling shareholder (as defined in the Listing Rules) of the Company, or Mr. Li Yang ceases to be the chairman of the Company; and

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

Upon and at any time after the occurrence of the event of defaults, the 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.

(ii) 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.

(iii) Guarantees

The Note 1 were guaranteed by Cosmo Field, Capture Advantage, Mr. Li Yang and Mr. Li Dongming, who is the father of Mr. Li Yang.

The Note 1 recognised in the consolidated statement of financial position are calculated as follows:

| | *USD'000* |
|---|---|
| Nominal value of Note 1 | 21,270 |
| Issue costs | (1,270) |
| Fair value at date of issuance | 20,000 |
| Effective interest recognised for the year *(note 5)* | 929 |
| Interest paid or payable | (716) |
| Carrying amount at 31 December 2016 and 1 January 2017 | 20,213 |
| Effective interest recognised for the year *(note 5)* | 3,426 |
| Interest paid or payable | (2,587) |
| Exchange realignment | (170) |
| Carrying amount at 31 December 2017 | 20,882 |

(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 fixed coupon guaranteed notes (the "Note 2") in the principal amount of USD20,000,000 with a maturity date of two years from the date of issue. The net proceeds amounted to approximately USD19,800,000 as at the issue date. The interest should be payable semi-annually.

The major terms and conditions of the Note 2 are as follows:

(i) 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 Yang 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 for five (5) 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.

(ii) 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.

(iii) Guarantees

The Note 2 were secured by, among others, guarantee by Cosmo Field and Mr. Li Yang.

The Note 2 recognised in the consolidated statement of financial position are calculated as follows:

| | *USD'000* |
|---|---|
| Nominal value of the Note 2 | 20,000 |
| Issue costs | (200) |
| Fair value at date of issuance | 19,800 |
| Effective interest recognised for the year *(note 5)* | 290 |
| Interest paid or payable | (280) |
| Carrying amount at 31 December 2017 | 19,810 |

(c) According to the relevant subscription agreement, the original final redemption date of the Note 1 falls on 19 March 2018. The Company entered into a letter agreement (the "Letter Agreement") with the holder of the Note 1 pursuant to which the holder of the Note 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 to the holder of the Note 1 of USD2,000,000 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.

As referred to note 15(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 has exceeded the specified ratio under the terms of the Note 1. According to the Letter Agreement, the holder of the Note 1 has 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.

**16. SHARE CAPITAL**

**Shares**

| | **2017** | 2016 |
|---|---|---|
| | ***USD'000*** | *USD'000* |
| Authorised: | | |
| 3,000,000,000 (2016: 3,000,000,000) ordinary shares of HK$0.01 each | **3,867** | 3,867 |
| Issued and fully paid: | | |
| 1,500,000,000 (2016: 1,500,000,000) ordinary shares of HK$0.01 each | **1,934** | 1,934 |

## EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 15(c), the original final redemption date of the Note 1 in the aggregate of the principal and accrued interest amount of approximately USD21,889,000 falls on 19 March 2018. The Company entered into a Letter Agreement with the relevant note holder to extend the final redemption date of the Note 1 from 19 March 2018 to 19 May 2018. In addition, pursuant to the Letter Agreement, the Company shall make a payment to the relevant note holder of USD2,000,000 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.

## 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. There were no significant changes in the nature of the Group's principal activities during 2017 (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 consideration of the fluctuation of iron ore price and low cost efficiency of self-production, the Group has focused on trading activities while primary activities in exploration, mining, crushing and beneficiation at the Ibam Mine was suspended during the Year. As such, no mining volume and production volume was recorded for the Year (2016: 175.9 Kt and 42.3 Kt respectively).

The Group will try different methods to diversify the business portfolio. Strategies included but not limited to conducting suitable mergers and acquisitions of other businesses so that the scope of businesses becomes more diversified. This will bring opportunities to the sustainable development of the Group in the long term. During the Year, the Company took a solid step under the "Belt and Road" initiative proposed by China. As disclosed in the announcement dated 8 November 2017, the Group and an independent entity established in Malaysia which is engaged in hi-tech development and manufacturing industries entered into a memorandum of understanding. It was proposed that the Group would commence full-scale cooperation with the Counterparty in relation to a smart transportation project in Malaysia, thereby entering the fast-developing high-tech research and development and manufacturing industries of the country. For further details, please refer to the announcement of the Company dated 8 November 2017.

Apart from the existing business at Ibam Mine and commodities trading business, the Company has been seeking opportunities to further diversify the scope of business. During the year, the Company commenced negotiations with China Commercial Foreign Trade Chengdu Corporation Limited (中商外貿成都有限公司) with respect to cooperating on a large-scale commercial trade centre project (the "Potential Project") located at Longquanyi District of Chengdu city on 14 June 2017. Further on 11 July 2017, the Company entered into a memorandum of understanding ("MOU") with an independent third party (the "vendor") for a proposed acquisition (the "Proposed Acquisition") of part of the issued share capital of a company established in the People's Republic of China (the "Target Company"). The Target Company operates a large-scale commercial trade centre located at the "Sino-France Ecological Park of Chengdu" in Chengdu, China. Since no concrete agreement was achieved in both Potential Project and Proposed Acquisition, the Company had decided not to proceed further on the negotiation. On 8 November 2017, a wholly-owned subsidiary of the Company and an independent entity established in Malaysia which is engaged in hi-tech development and manufacturing industries entered into a memorandum of understanding, pursuant to which, it is proposed that a wholly-owned subsidiary of the Company will commence full-scale cooperation with the Counterparty in relation to a smart transportation project in Malaysia. For further details, please refer to the announcement dated 8 November 2017.

## MARKET REVIEW

In 2017, global economic growth strengthened, driving the development of the overall market in China. The National Bureau of Statistics of China pointed out that China's gross domestic product grew by 6.9% during the year, reversing the downward trend since 2011. Among the industries, secondary industries grew by 6.1%. After the supply-side reform since the end of 2015, the overall industrial operating environment has gradually improved. The task of reducing the production capacity of the steel and coal industries for the year was completed. The industrial production capacity utilization rate was 77.0%, the highest in 5 years. China being the largest consumer state of steel in the world, the trend in its steel market has a significant influence on iron ore prices.

World Steel Association data show that China's steel output increased by 5.7% last year. Due to limited production capacity, steel prices were rather stiff during the year. The China steel price index was 121.8 points at the end of 2017, 22.3 points higher than at the beginning of the year, representing a rise of 22.4%. In contrast, iron ore prices fluctuated more. At the beginning of the year, the Platts Fe Iron Ore Index once hit the high of USD90 at its peak, plunging sharping in the second quarter that followed with average prices slipping to USD62.9. In the third quarter, driven by the rise of downstream steel prices and steel enterprises replenishing inventory, the index rebounded and surged to USD70.77. From September to December, the index rebounded. On the whole, the large inventories in ports and steel factories replenishing inventory in stages guided the market trend in 2017.

As for iron ore imports and exports, according to the Result of a Forecast of the Demand for Iron and Steel in China 2018 released by the China Metallurgical Industry Planning and Research Institute, in 2017, China produced about 710 Mt of pig iron, the estimated consumption of iron ores was 1,122 Mt, and iron ore import dependency was 88.4%. Data released by the General Administration of Customs also show that iron ore imports increased by 5.0% year-on-year to 1,075 Mt, setting a new record.

## MARKET OUTLOOK

According to the newest Central Economic Work Conference convened in China, the fundamental key of work of "seeking change while achieving stability" in 2018 will set 2018 for a continuation of an active fiscal policy. Therefore, infrastructure investment leading from fiscal policies still remains high.

The China Metallurgical Industry Planning and Research Institute estimates that China's pig iron production will be about 709 Mt in 2018 and the estimated consumption of iron ores will be 1,120 Mt, down slightly by 0.2% year-on-year. Even though the overall demand is almost unchanged, China's iron ore import dependency will remain high in 2018. According to data from the General Administration of Customs, China's iron ore imports exceeded 100 Mt in January, which was the second highest on record. This is good news for the Group.

In relation to international iron ore prices, the shipment of high-grade resources of the four major mines will increase notably, and the output of the four major mines is expected to increase by 45 Mt. Analysis by the Commonwealth Bank of Australia shows that the rise in iron ore supply will put pressure on prices. The average iron ore price is expected to be USD51.50 per tonne in 2018, representing a drop of 20% compared with 2017.

## 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.

As at 31 December 2017, the Group owned 5 beneficiation lines and 2 crushing lines. During the Year, the Group focused on commodities trading and no mining volume and production volume was recorded due to the temporary suspension of mining activities in 2017 (2016: 175.9 Kt and 42.3 Kt respectively).

There was no exploration and development activities during the year ended 31 December 2017.

### Business Strategy

The volatility of international iron ore prices during the Year was huge from as low as USD54.0 to the peak of USD95.1. The long-term price trend is uncertain, which renders the decision on resumption of production difficult. As such, the Group continued with its strategic focus on the trading of iron ores and other commodities. In addition, the Group has recently extended its product line in commodity trading to Eastern Siberia–Pacific Ocean oil (ESPO), so as to bring opportunities for the sustainable development of the Group in the long run.

Diversification of income source has been the Group's major strategy to maximize Shareholder value. For instance, the Company seeks to fully utilize the business network established in Malaysia over the years by the Group and grasp the opportunities brought by the "Belt and Road" initiative proposed by China. During the year, the Group and an independent entity established in Malaysia which is engaged in high-tech development and manufacturing industries entered into a memorandum of understanding. It was proposed that the Group would commence full-scale cooperation with that company in relation to a smart transportation project in Malaysia, promoting the advanced technology and equipment of China, thereby entering the fast-developing high-tech research and development and manufacturing industries of the country.

Looking ahead, the Group expects to continue to focus on the trading of iron ore and other commodities. At the same time, we will look for assets with stable and healthy operating profits and fast-growing companies for acquisition or investment or develop new businesses by way of cooperation, endeavouring to diversify income sources and further enhancing our profitability.

**Operating Results**

During the Year, the Group focused on the business of trading iron ore products and other commodities and suspended the less cost-effective exploration business, helping to raise gross profit by 20.5% to USD16.5 million (2016: USD13.7 million).

In 2017, the Group recorded revenue of USD1,104.6 million (2016: USD1,240.7 million), representing a decrease of USD136.1 million or 11.0% compared with the same period of the previous year. The sales volume of iron ore products decreased by 28.9% to approximately 13,320 Kt on dry basis (2016: approximately 18,727 Kt). The products sold had an average iron ore grade of 62.0% (2016: 62.5%). During the Year, the average selling price of the Group's iron ore products on dry basis was USD74.5 per tonne (2016: USD57.3 per tonne). Although international iron ore prices fluctuated considerably, our gross profit margin has increased to 1.5% (2016: 1.1%) by securing orders with higher profit margin.

Profit for the Year decreased by 21.4% to USD3.4 million from USD4.3 million, and earnings per share was 0.23 US cents (2016: 0.29 US cents) which was largely due to increase in administrative expenses, finance costs arising from the interest for Notes and decrease in "Other income and gains" from interest income.

The sales analysis for the Group is as follows:

| | **For the year ended 31 December 2017** | For the year ended 31 December 2016 | Change |
|---|---|---|---|
| Sales Revenue | **USD1,104,616,000** | USD1,240,674,000 | –11.0% |
| – Iron Ore | **USD992,707,000** | USD1,073,941,000 | –7.6% |
| – Other Commodities [note] | **USD111,909,000** | USD166,733,000 | –32.9% |
| Sales Volume (dry basis) | | | |
| – Iron Ore | **13,320,000 tonnes** | 18,727,000 tonnes | –28.9% |
| – Other Commodities [note] | **17,000 tonnes** | 64,000 tonnes | –73.4% |
| Gross Profit | **USD16,527,000** | USD13,711,000 | 20.5% |
| Gross Profit Margin | **1.5%** | 1.1% | +0.4 percentage points |

*Note:* Nickel cathodes, copper cathodes, lead ore products and alumium during the year.

## FINANCIAL REVIEW

## PROFIT AND OTHER COMPREHENSIVE INCOME

### Revenue

During the year ended 31 December 2017, the Group's revenue reached approximately USD1,104.6 million, about 11.0% lower than that recorded in 2016, which was USD1,240.7 million. The decrease in revenue was mainly due to the modification of the Group's marketing strategy to secure orders with higher profit margin.

### Cost of Sales

During the year ended 31 December 2017, the Group's cost of sales reached approximately USD1,088.1 million, about 11.3% lower than approximately USD1,227.0 million recorded in 2016. The cost of sales comprised the purchase costs of iron ore products and other commodities from trading activities in the amount of USD1,088.1 million (2016: USD1,221.2 million).

### Gross Profit

During the year ended 31 December 2017, the Group's gross profit reached approximately USD16.5 million, about 20.5% higher than approximately USD13.7 million recorded in 2016. Gross profit grew substantially because the Group lifted the minimum gross profit margin as condition for accepting orders and that the Group paid prepayments to the suppliers so as to secure reliable supply and better pricing term. The average selling price of iron ore products increased from USD57.3 per tonne to USD74.5 per tonne during the year.

### Administrative Expenses

During the year ended 31 December 2017, the Group's administrative expenses reached approximately USD8.7 million, about 61.4% higher than USD5.4 million recorded in 2016. The increase was mainly due to increase in one-off professional fees, increased staff costs and business travelling.

### Other Expenses

During the year ended 31 December 2017, the Group's other expenses were approximately USD1.0 million, and the other expenses for 2016 were USD3.5 million. The decrease was mainly because the net foreign exchange gain of USD0.8 million was recognised in other income and gains during the year ended 31 December 2017 while a foreign exchange loss of USD1.1 million was recorded in other expenses in last year.

**Finance Costs**

During the year ended 31 December 2017, the Group's finance costs reached approximately USD5.4 million, about 92% higher than USD2.8 million recorded in 2016. The increase was mainly due to interest expense incurred for the notes issued of USD3.7 million (2016: USD0.9 million) interest expense incurred for bank loans of USD1.7 million (2016: USD1.3 million). No notional interest expense incurred for shareholder loan from Cosmo Field (the Controlling Shareholder) during the Year. Please refer to note 5 to the Financial Statements of this announcement for further details.

**Income Tax Expenses**

During the year, the Group's income tax expense reached approximately USD0.6 million, about 51.7% lower than the approximately USD1.2 million in the year of 2016. The effective tax rate was 14.9% in comparing with 22.2% of last year. The decrease in effective tax rate was mainly due to the overprovision for tax for the amount of USD0.7 million adjusted during the year.

**Profit for the Year**

Profit for the year ended 31 December 2017 decreased by 21.4%, from approximately USD4.3 million for the year ended 31 December 2016 to approximately USD3.4 million for the year ended 31 December 2017. The net profit margin decreased to 0.3% for the year ended 31 December 2017 from 0.4% for the year ended 31 December 2016. Decrease in profit for the year was mainly due to effect of increase in administrative expenses and finance costs were higher than the contribution of increase in gross profit.

**Total Comprehensive Income Attributable to Owners of the Company**

Total comprehensive income attributable to owners of the Company decreased by 39.6%, from approximately USD8.6 million for the year ended 31 December 2016 to approximately USD5.2 million for the year ended 31 December 2017. The decrease was due to there was a decrease in fair value of available-for-sale investments for approximately USD0.1 million whereas a gain of USD5.9 million was recorded last year. Foreign exchange gain arising from translation of foreign operations of approximately USD1.8 million (2016: loss of USD0.2 million) as a result of appreciation of RM against USD.

## SHAREHOLDER LOAN FROM CONTROLLING SHAREHOLDER TO COMPANY

As at 31 December 2017, the Group had interest-free loans from the ultimate holding company, Cosmo Field, of USD60,000,000 (note 13 to the Financial Statements of this announcement). Cosmo Field granted unsecured interest-free loans of USD40,000,000 and USD20,000,000 to the Group pursuant to the shareholder loan agreements entered into between the Group and Cosmo Field dated 27 September 2016 and 22 December 2016, respectively, which were due on demand for repayment.

The Company has been notified that a deed of release has been executed on 4 January 2018 with respect to 752,000,000 shares ("Charged Shares") of the Company which were previously charged by Cosmo Field in favour of the second priority lender (as set out in the announcement dated 29 December 2016). The Company has also been notified that, Cosmo Field has charged the Charged Shares in favour of another independent third party institution as second priority lender on 4 January 2018. As at the date of this announcement, Cosmo Field owns a total of 843,750,000 shares of the Company, representing 56.25% of the issued share capital of the Company. The Charged Shares represent approximately 50.13% of the issued share capital of the Company as at the date of this announcement. Cosmo Field is the Company's Controlling Shareholder (as defined in the Listing Rules) which is wholly owned by Mr. Li Yang who is a chairman and Controlling Shareholder of the Company.

## LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2017 was approximately USD107.7 million (31 December 2016: USD102.6 million). The Group generally finances its operation with internally generated cash flow, interest-bearing bank and other borrowings, and interest-free and security-free shareholder loans from our Controlling Shareholder as set out in section "shareholder loan from controlling shareholder to company". Primary uses of funds during the year included payment of iron ore and other commodities purchased and operating expenses. As at 31 December 2017, current assets of approximately USD254.6 million primarily comprised USD194.5 million of trade receivables, USD50.9 million of prepayments, deposits and other receivables, and USD9.2 million of cash and cash equivalents (including pledged bank deposits). Current liabilities of approximately USD170.1 million mainly comprised USD26.1 million of trade payables, USD63.5 million of other payables and accruals, USD56.0 million of interest-bearing bank and other borrowings, USD20.9 million of notes payable and USD3.6 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.5 as at 31 December 2017 (2016: 1.7). The liquidity position indicated that the Group has sufficient financial resources to finance its business and to meet its working capital requirements.

As at 31 December 2017, the Group had certain interest-bearing bank and other borrowings of USD56.0 million in total (2016: USD33.7 million). The bank and other borrowings were mainly used to finance the issuance of letter of credit.

On 19 October 2017, the Company issued the Note 2 in the principal amount of USD20 million) with a final redemption date falling 2 years after the date of issue. For details, please refer to announcement of the Company dated 19 October 2017.

**Cash and Cash Equivalents**

Cash and cash equivalents of the Group in 2017 decreased by approximately USD72.8 million compared to 2016.

Detailed cash flow analysis is as follows:

| | For the year ended 31 December | |
|---|---|---|
| | **2017** | 2016 |
| | ***USD'000*** | *USD'000* |
| Cash and cash equivalents in the consolidated statement of cash flow at beginning of year | **74,922** | 27,664 |
| Net cash used in operating activities | **(127,409)** | (8,944) |
| Net cash flows from investing activities | **6,110** | 4,516 |
| Net cash flows from financing activities | **48,509** | 51,312 |
| Net (decrease)/increase in cash and cash equivalents | **(72,790)** | 46,884 |
| Effect of foreign exchange rate changes, net | **(47)** | 374 |
| Cash and cash equivalents at end of year | **2,085** | 74,922 |

**Net Cash Flows used in Operating Activities**

The Group's net cash flows used in operating activities changed from approximately USD8.9 million outflow for the year ended 31 December 2016 to approximately outflow of USD127.4 million for the year ended 31 December 2017. It primarily included the profit before tax of USD4.0 million and the outflow of cash was mainly contributed by the increase in trade receivables of approximately USD102.6 million, increase in prepayments, deposits and other receivables of approximately USD33.1 million and offset by the increase in trade payables of approximately USD4.1 million.

**Net Cash Flows from Investing Activities**

The Group's net cash flows from investing activities increased by 35.3%, from approximately inflow of USD4.5 million for the year ended 31 December 2016 to approximately inflow of USD6.1 million for the year ended 31 December 2017. It primarily included collection of loan advanced to third parties for approximately USD18.5 million, decrease in pledged bank deposit for approximately USD3.9 million and interest received for approximately USD2.2 million. Investing cash outflow included loan advanced to third parties for USD18.5 million.

### Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities decreased by 5.5%, from approximately USD51.3 million for the year ended 31 December 2016 to approximately USD48.5 million for the year ended 31 December 2017. The decrease is primarily due to cash inflows from Cosmo Field (the Company's Controlling Shareholder) was lower of approximately USD10.0 million (2016: net inflows of USD35.0 million). Other major source of finance was net increase in bank borrowing of USD22.3 million (2016: net decrease of USD1.7 million).

### Trade Receivables

The Group's trade receivables increased by 111.6%, from approximately USD91.9 million as at 31 December 2016 to approximately USD194.5 million as at 31 December 2017 which was mainly due to the lengthening of trade receivable turnover days. Trade receivable turnover days were approximately 47 days (2016: 20 days). The longer trade receivable turnover days was recorded due to the increase in settlement by tele-transfer of which longer credit period was granted.

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 at 31 December 2017, all trade receivables of the Group, based on the sales recognition date, were aged within six months and about 74.4% of the trade receivables were neither past due but not impaired.

### Prepayments, Deposits and Other Receivables

As at 31 December 2017, the Group's prepayments, deposits and other receivables amounted to approximately USD50.9 million (31 December 2016: approximately USD19.1 million). The significant increase was mainly due to the prepayments made to certain commodities suppliers as prepayments or deposits to secure a more competitive purchase price and secured supply for commodities trading activities. During the years of 2017 and 2016, these suppliers were top ten suppliers of the Group.

### Trade Payables

Trade payables mainly consisted of payables to suppliers for purchase of iron ore products and other commodities for trading activities. The Group's trade payables amounted to approximately USD26.1 million as at 31 December 2017 and approximately USD24.3 million as at 31 December 2016.

### Net Current Assets Position

The Group's net current assets was increased during the year, from net current assets of approximately USD80.4 million as at 31 December 2016 to net current assets of approximately USD84.5 million as at 31 December 2017. The increase was primarily attributable to significant increase in trade receivable. Decrease in cash and cash equivalents for the amount of approximately USD72.8 million (2016: increase of USD47.3 million), reclassification of notes as current liabilities for approximately USD20.9 million (2016: Nil), increase in interest-bearing and other borrowings for approximately USD22.3 million (2016: decrease USD1.8 million) and loans due to the ultimate holding for the amount of USD10.0 million during the year formed the offsetting items against the current assets.

### Borrowings

As at 31 December 2017, the Group's borrowings mainly included: (i) secured bank loans of approximately USD56.0 million with an annual interest rate ranging from 2.29% to 3.89%; (ii) hire purchase arrangements for motor vehicles and equipment of USD0.02 million with an annual interest rate ranging from 2.36% to 2.47%; (iii) notes amounted USD40.7 million which comprised the Note 1 of USD20.9 million and the Note 2 of USD19.8 million issued on 20 September 2016 and 19 October 2017 respectively, details of which can be referred to the announcements dated 20 September 2016 and 19 October 2017 respectively.

As of 31 December 2017, the Company also owed shareholder loans of USD60.0 million (2016: USD50.0 million) from Cosmo Field (the Controlling Shareholder) which were interest-free and unsecured, the details of which can be referred to section "shareholder loan from controlling shareholder to company" of this annual result announcements.

### Disclosure pursuant to Rule 13.21 of the Listing Rules

On 20 September 2016, the Company as issuer, entered into a subscription agreement with an independent third party institution (the "Noteholder 1") pursuant to which the Company agrees to issue and the Noteholder 1 agrees to subscribe for the subscription notes ("Note 1") in the principal amount of HK$164,865,750 with a final redemption date falling 18 months after the date of issue which was partially repaid in the amount of approximately USD2,000,000 on 29 March 2018 while the final repayment date was extended to 19 May 2018. Pursuant to the terms of the Notes 1, it will be an event of default if, among others, (i) Mr. Li Yang ("Mr. Li", the chairman and Controlling Shareholder of the Company) fails to remain the Controlling Shareholder (as defined in the Listing Rules) of the Company; or (ii) Mr. Li ceases to be the chairman of the Company. Upon and at any time after the occurrence of an event of default, the Subscriber may give notice to the Company that one or more of the Notes 1 shall become immediately due and repayable with all accrued interests.

Further, on 19 October 2017, the Company entered into a subscription agreement with, amongst others, an independent third party institution (the "Noteholder 2") pursuant to which the Company agrees to issue and the Subscriber agrees to subscribe for the notes ("Note 2") in the principal amount of not more than US$20,000,000 with a maturity date of two years from the date of issuance. Pursuant to the terms of the Note 2, it will be an event of default in respect of the Note 2 if, amongst others, so long as any part of the Note 2 is outstanding and without the prior consent of the Subscriber, (i) Mr. Li Yang ("Mr. Li", the chairman and Controlling Shareholder (as defined under the Listing Rules) of the Company) fails to remain as the single largest shareholder of the Company and holds 55.00% of the issued share capital of the Company; (ii) sells, transfers or creates any further encumbrance over his equity interests in the Company; or (iii) ceases to act as the chairman, the chief executive officer and the executive director of the Company.

Cosmo Field, Mr. Li Yang and his father have provided guarantee with respect to the Note 1 and Cosmo Field and Mr. Li Yang have provided guarantee with respect of the Note 2 for which the Group is not required to provide any consideration. The aforesaid guarantees are fully exempted connected transactions.

## CAPITAL STRUCTURE

The Group is currently funding its capital expenditure through internal funds generated from its operations, new bank borrowings, notes 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 owners of the Company.

The Group's gearing ratio as at 31 December 2017 was 57.8% (31 December 2016: 14.9%).

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

## CONTINGENT LIABILITIES

As at 31 December 2017, neither the Group nor the Company had any significant contingent liabilities.

## FOREIGN CURRENCY RISK

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

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the RM exchange rate, with all other variables held constant, of the Group's profit before tax.

| | Increase/ (decrease) in RM rate | Increase/ (decrease) in profit before tax |
|---|---|---|
| | *%* | *USD'000* |
| **2017** | | |
| If the US dollar weakens against RM | **5** | **269** |
| If the US dollar strengthens against RM | **(5)** | **(269)** |
| 2016 | | |
| If the US dollar weakens against RM | 5 | 954 |
| If the US dollar strengthens against RM | (5) | (954) |

## INTEREST RATE RISK

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

## CHARGE ON ASSETS

Save for the vehicle registrations cards, trade receivables and bank balances pledged for bank and other loans as disclosed in note 14 to the Financial Statements of this announcement, the Group did not have any pledges on its assets as at 31 December 2017.

## CONTRACTUAL OBLIGATIONS

As at 31 December 2017, the Group had no material contractual obligations to disclose (31 December 2016: nil).

## CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure was USD6,000 (31 December 2016: USD155,000) mainly for acquisition of computers.

## RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 31 DECEMBER 2017

**Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 31 December 2017** *(Note)***:**

| Classification | Quantity (Mt) | Fe Grade (%) |
|---|---|---|
| Measured | 108 | 46.7 |
| Indicated | – | – |
| Inferred | 42 | 46.4 |
| 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 2017:**

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

*Note:* The figures were calculated by the resource and reserves as at 31 December 2013 under the JORC Code (confirmed by Geos Mining 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.

## 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 2017, the Group had 46 employees (2016: 51). For the year ended 31 December 2017, total staff cost including Directors' emolument amounted to approximately USD2.1 million (2016: USD1.6 million).

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

## ACQUISITIONS AND INVESTMENTS IN PROGRESS

For details of significant acquisitions and investments of the Group during 2017, please refer to the section "Other Investment and Business Development".

## CORPORATE GOVERNANCE

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

The Company has complied with the code provisions set out in CG Code during the year ended 31 December 2017 except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and Chief Executive Officer of the Company. Under CG Code A.2.1 under Appendix 14 to the Listing Rules, the roles of chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The positions of chairman and Chief Executive Officer of the Company are both currently carried on by Mr. Li Yang. The Board considers that the structure currently operated by the Company does not undermine the balance of power and authority between the Board of Directors and the management.

The Board members have considerable experience and qualities which they bring to the Company and the Board, of which Mr. Li Yang can take advantage in fulfilling his duties, and the management is not impaired. Mr. Li Yang has strong client relationships and has the full backing from the Board of Directors and senior management of the Company in fulfilling his obligations as chairman and Chief Executive Officer. The Board believes that having the same person performing the roles of both chairman and Chief Executive Officer can provide the Group with strong and consistent leadership and that, operating in this manner allows for more effective and efficient overall strategic planning of the Group. Further, the decisions of the Board are made collectively by way of voting and therefore the chairman of the Board should not be able to monopolize the voting result.

## PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities throughout the year ended 31 December 2017.

## 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 2017.

## CHANGE OF AUDITOR

The termination of the engagement of Ernst & Young as auditor of the Company and the appointment of Graham H. Y. Chan & Co. as the new auditor of the Company (the "Proposed Change of Auditor") was duly approved by shareholders on 28 February 2018. For details, please refer to the circular dated 6 February 2018.

## CHANGE OF DIRECTOR DURING 2017

During the year, Mr. Kong Chi Mo resigned as an independent non-executive director of the Company due to personal commitments and to focus on his other business with effect from 21 August 2017. On the same date, Mr. Leung Yiu Cho was appointed as independent non-executive director. For details, please refer to the announcement dated 21 August 2017.

## ROTATION OF DIRECTORS

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

Pursuant to Article 83 (3) of the Articles of Association, Mr. Leung Yiu Cho, the independent nonexecutive director of the Company, who filled the casual vacancy upon the resignation of Mr. Kong Chi Mo, could hold office until the first general meeting of Members after his appointment. As such, Mr. Leung Yiu Cho was re-elected as independent non-executive director of the Company in the extraordinary general meeting of Members held on 28 February 2018.

## ANNUAL GENERAL MEETING

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

## PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company and the Stock Exchange (www. hkexnews.hk). The annual report of the Company for the year ended 31 December 2017 will be dispatched to Shareholders of the Company and available on the above websites in due course.

## AUDIT COMMITTEE

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

## REVIEW OF RESULTS BY AUDIT COMMITTEE AND AUDITORS

The Audit Committee of the Company has reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group in respect of the Group's consolidated financial statements for the year ended 31 December 2017. The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditors, Messrs. Graham H.Y. Chan & Co., to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2017. The work performed by Messrs. Graham H.Y. Chan & Co. in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Graham H.Y. Chan & Co. on this preliminary results announcement.

### Glossary

| | |
|---|---|
| "AGM" | the annual general meeting of the Company |
| "Audit Committee" | the audit committee of the Board |
| "Board of Directors" or "Board" | the board of Directors of the Company |
| "BVI" | the British Virgin Islands |
| "CAA Resources", "Company", "we", "us" or "our" | CAA Resources Limited (優庫資源有限公司), a company incorporated in the Cayman Islands on 25 April 2012 under the Companies Law CAP. 22 and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it |
| "Capture Advance" | Capture Advance Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 15 November 2007 and which is wholly owned by Best Sparkle, and an indirect wholly-owned subsidiary of the Company |
| "CG Code" | Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules |
| "Chief Executive Officer" | the chief executive (as defined in the SFO) of the Company |

| | |
|---|---|
| "China" or "PRC" | the People's Republic of China. For the purpose of this announcement and for geographical reference only and except where the context requires, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Companies Law" | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended and supplemented from time to time |
| "Controlling Shareholder" | has the meaning ascribed to it under the Listing Rules, and in the context of this announcement means the controlling shareholders of our Company, namely Cosmo Field and Mr. Li Yang, and Controlling Shareholder means any one of them |
| "Cosmo Field" | Cosmo Field Holdings Limited (宇田控股有限公司), a company incorporated in the BVI with limited liability on 26 March 2012, and which is wholly owned by Mr. Li Yang |
| "Director(s)" | the director(s) of the Company |
| "Group", "we" or "us" | Our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of our current subsidiaries, our current subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "our" shall be construed accordingly |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong dollars" or "HKD" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Ibam Mine" | the mining site in respect of which the Mining Lease is granted and is located in Lot 27887 (PA 143236), Sungai Cipai, Mukim Keratong, Daerah Rompin, Pahang, Malaysia |
| "indicated resources" | part of the iron ore resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence as defined by the JORC Code |

| | |
|---|---|
| "inferred resource" | part of the iron ore resource for which tonnage, grade and mineral content can be estimated with a low level of confidence as defined by the JORC Code |
| "iron ore products" | the products produced from our iron ore crushing and beneficiation facilities in the form of iron ore concentrates and iron ore fines |
| "JORC" | the Australasian Joint Ore Reserves Committee |
| "JORC Code" | the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves |
| "Kt" | thousand tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis |
| "Listing Rules" | The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) |
| "Main Board" | the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange |
| "measure resource" | mineral resource that has been intersected and tested by drill holes or sampling procedures at locations close enough to confirm continuity |
| "mining volume" | the aggregate volume of produced ore volume excluding stripping rock volume |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| "Mt" | million tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis |
| "probable reserves" | the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined |
| "Project Ibam" | the mining project carried out at the Ibam Mine pursuant to the Mining Agreement |

| | |
|---|---|
| "Prospectus" | the prospectus dated 20 June 2013 issued by the Company in connection with the Global Offering and the Listing |
| "proved reserves" | the economically mineable part of a measured mineral resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined |
| "RM" | Malaysian Ringgit, the lawful currency of Malaysia |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) with a nominal value of HKD0.01 each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed to it under the Hong Kong Companies Ordinance |
| "Substantial Shareholder" | has the meaning ascribed to it under the Listing Rules |
| "U.S." or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US dollars" or "USD" | United States dollars, the lawful currency of the United States |
| "%" | per cent |

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

Hong Kong, 29 March 2018

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

*Company website: www.caa-resources.com*