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 2018

FINANCIAL HIGHLIGHTS

- The Group's revenue reached approximately USD1,447.0 million, representing 31.0% higher than USD1,104.6 million recorded in the year of 2017.
- The sales volume of iron ore products, on dry basis, for 2018 was approximately 6,501 Kt, representing 51.2% lower than 13,320 Kt recorded in 2017.
- The Group's gross profit reached approximately USD18.4 million, approximately 11.5% higher than the approximately USD16.5 million recorded in year of 2017.
- Profit for the year ended 31 December 2018 decreased by 26.5%, from approximately USD3.4 million for the year ended 31 December 2017 to approximately USD2.5 million for the year ended 31 December 2018.
- The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2018.
- Basic earnings per Share for the year ended 31 December 2018 was USD0.17 cents (2017: USD0.23 cents).

* *For identification only*

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2018 ("the year under review") together with the comparative figures for the year ended 31 December 2017 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2018

	Notes	**2018** *USD'000*	2017 *USD'000*
Revenue	4	**1,447,008**	1,104,616
Cost of sales		**(1,428,623)**	(1,088,089)
Gross profit		**18,385**	16,527
Other income and gains		**1,862**	3,398
Selling and distribution expenses		**(267)**	(770)
Administrative expenses		**(5,672)**	(8,684)
Other expenses		**(983)**	(1,012)
Finance costs	5	**(10,057)**	(5,444)
Share of loss of an associate		**(1)**	–
Profit before tax	6	**3,267**	4,015
Income tax expense	7	**(733)**	(600)
Profit for the year		**2,534**	3,415
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale investments		**–**	(76)
Income tax effect		**–**	19
		–	(57)
Exchange differences on translation of foreign operations		**(371)**	1,828
		(371)	1,771

	Notes	**2018** *USD'000*	2017 *USD'000*
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss:			
Changes in fair value of equity investments designated as at fair value through other comprehensive income		**(8,541)**	–
Income tax effect		**1,452**	–
		(7,089)	–
Other comprehensive (loss)/income for the year, net of tax		**(7,460)**	1,771
Total comprehensive (loss)/income for the year		**(4,926)**	5,186
Profit for the year attributable to:			
Equity shareholders of the Company		**2,534**	3,415
Non-controlling interests		**–**	–
		2,534	3,415
Total comprehensive (loss)/income for the year attributable to:			
Equity shareholders of the Company		**(4,926)**	5,186
Non-controlling interests		**–**	–
		(4,926)	5,186
Earnings per share attributable to ordinary equity shareholders of the Company:			
Basic and diluted (U.S. cents)	8	**0.17**	0.23

The Directors of the Company did not recommend the payment of final dividend for the year ended 31 December 2018.

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 USD'000	2017 USD'000
Non-current assets			
Property, plant and equipment		**3,352**	4,327
Mining rights and reserves		**12,680**	12,932
Investment in an associate	11	**49,999**	–
Financial assets at fair value through other comprehensive income	12	**15,267**	–
Available-for-sale investments	12	**–**	23,808
Goodwill		**6,649**	6,765
Deferred tax assets		**13**	25
Total non-current assets		**87,960**	47,857
Current assets			
Trade receivables	13	**205,093**	194,476
Prepayments, deposits and other receivables	14	**9,381**	50,899
Pledged deposits		**–**	7,124
Cash and cash equivalents		**183**	2,085
Total current assets		**214,657**	254,584
Current liabilities			
Trade payables	15	**1,953**	26,078
Other payables and accruals	16	**62,384**	63,503
Interest-bearing bank and other borrowings	17	**40,953**	56,017
Notes	18	**37,287**	20,882
Tax payable		**3,910**	3,590
Total current liabilities		**146,487**	170,070
NET CURRENT ASSETS		**68,170**	84,514
Total assets less current liabilities		**156,130**	132,371

	Notes	**2018**	2017
		USD'000	*USD'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	17	**–**	7
Notes	18	**–**	19,810
Deferred tax liabilities		**2,910**	4,437
Provision for rehabilitation		**409**	380
Total non-current liabilities		**3,319**	24,634
Net assets		**152,811**	107,737
Equity			
Issued capital	19	**1,934**	1,934
Reserves		**149,164**	105,803
Equity attributable to equity shareholders of the Company		**151,098**	107,737
Non-controlling interest		**1,713**	–
Total equity		**152,811**	107,737

1. CORPORATE AND GROUP INFORMATION

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

During the year ended 31 December 2018, the Group was principally engaged in the business of mining, ore processing, sales of iron ore products and other commodities to steel manufacturers and/or their respective purchase agents in Mainland China and other commodity trading companies, as well as investment holding.

In the opinion of the Directors of the Company, the holding company and the ultimate holding company of the Company is Cosmo Field, which was incorporated in 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. ("Best Sparkle")	BVI	USD50,000	100	Investment holding
Value Source Ventures Limited	BVI	–	100	Investment holding
Capture Advance Sdn. Bhd. ("Capture Advance")	Malaysia	RM15,000,000	100	Iron ore mining and iron ore beneficiation
Pacific Mining Resources Sdn. Bhd. ("Pacific Mining")	Malaysia	RM100	90.88	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	RMB 5,000,000	100	Investment holding
China Bright (Pte.) Limited	Singapore	Singapore dollar ("SGD") 1	100	Inactive

2.1 BASIS OF PREPARATION

These 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 of Hong Kong Limited ("SEHK"). They have been prepared under the historical cost convention except that financial assets at fair value through other comprehensive income are stated at their fair values as explained in the accounting policies set out in note 2.4. These consolidated financial statements are presented in USD and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

According to the Letter Agreement ("Letter Agreement") entered into by the Company and the holder of the senior notes ("Note 1") on 19 May 2018, the final redemption date of the Note 1 in the principal amount of approximately USD19,358,000 as at 31 December 2018 has been extended from 19 May 2018 to 31 December 2018. According to the Letter Agreement, the Company shall make payment to the holder of the Note 1 of an amount of US$500,000 on the last day of each month during the calendar year of 2018, commencing 31 May 2018 save that the amount payable on 31 December 2018 shall be an amount equal to all remaining indebtedness due on or in respect of the Note 1 outstanding at such time, and each payment shall apply first in payment of interest and any other amounts due on or in respect of the Note 1 and thereafter in redemption of the balance of the principal outstanding on the Note 1.

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

In addition, during the year, the Group re-negotiated repaying the principal of bank loans with aggregate carrying amount at the end of the reporting period of USD40,946,000. On 10 December 2018, the Group and the lender renegotiated the terms of such bank loans and agreed a repayment schedule pursuant to which the above bank loans plus interest are to be settled by six instalments with the first instalment repayable in December 2018 and the last instalment repayable in November 2019.

In view of these circumstances, the Directors prepared a cash flow forecast for a period of 12 months ending 31 December 2019, which has taken into consideration the Group's cash position, expected status of subsequent settlement of trade receivables, expected financial performance of the Group and expected liquidity requirements. 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 its operations.

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 these 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 2018. 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.

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.

A change in the ownership interest in a subsidiary that does not result in a loss of control is treated as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received are recognised in a separate reserve within equity attributable to owners of the Group.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

2.2 APPLICATION OF NEW AND REVISED IFRSs

The Group has applied, for the first time, the following new and amendments to IFRSs which are effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRSs 2014 – 2016 Cycle	Amendments to IFRS 1 and IAS 28

Except as described below, the application of the new and 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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations and is effective for annual periods beginning on or after 1 January 2018. 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 Group had assessed the effects of adoption of IFRS 15 on its consolidated financial statements and considered that the adoption of IFRS 15 did not have a significant impact on the financial position and results of operations of the Group.

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e., applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information has been prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of IFRS 9 are disclosed in note 2.4. Further details of the nature and effect of the changes to previous accounting policies are as set out below:

Classification and measurement of financial instruments

The Directors reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that:

– the Group's unlisted equity investments that were previously classified as available-for-sale investments and were measured at fair values at each reporting date under IAS 39 have been designated as at fair value through other comprehensive income ("FVTOCI"). The Group elected to classify irrevocably its unlisted equity investments under this category as these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, the Group's unlisted equity investments with carrying amount of USD23,808,000 were reclassified from available-for-sale investments to financial assets at FVTOCI and the accumulated fair value gains of USD4,356,000 were reclassified from the available-for-sale investment reserve to the fair value reserve of financial assets at FVTOCI on 1 January 2018. Gains and losses recorded in OCI for these investments cannot be recycled to profit or loss when the investments are derecognised;

– the Group's financial assets classified as loans and receivables and measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

– all the Group's financial liabilities that were measured at amortised cost under IAS 39 continue to be measured at amortised cost under IFRS 9.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Impairment of financial assets

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss ("ECL") model. As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9.

It is concluded that, as at 1 January 2018, no additional credit loss allowance has been recognised against retained earnings as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under IAS 39. As at 1 January 2018, no credit loss allowance has been recognised against retained earnings due to in the opinion of the Directors that the amount is insignificant.

The Group has applied the new ECL model to all financial assets measured at amortised cost (including cash and cash equivalents, pledged deposits, and trade and other receivables). Further details on the Group's accounting policy for accounting for credit losses are set out in note 2.4.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs [1]
Amendments to IFRS 3	Definition of a Business [5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation [1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [2]
Amendments to IAS 1 and IAS 8	Definition of Material [3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement [1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures [1]
IFRS 16	Leases [1]
IFRS 17	Insurance Contracts [4]
IFRIC 23	Uncertainty over Income Tax Treatments [1]

[1] Effective for annual periods beginning on or after 1 January 2019

[2] No mandatory effective date yet determined but available for adoption

[3] Effective for annual periods beginning on or after 1 January 2020

[4] Effective for annual periods beginning on or after 1 January 2021

[5] Effective for acquisitions that occur on or after the first annual reporting period beginning on or after 1 January 2020

The Group is in the process of assessing potential impact of the above new standards, amendments to existing standards and new interpretations that are relevant to the Group upon initial application. So far the Group has identified some aspects of IFRS 16 which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in its consolidated financial statements.

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 re-measure 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 re-measurement 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 date of initial application of IFRS 16 for the Group will be 1 January 2019. As at 31 December 2018, the Group had non-cancellable operating lease commitments of USD904,000 for properties and motor vehicles. A preliminary assessment indicated that these arrangements will meet the definition of a lease. Upon initial adoption of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in aspect of all these leases unless they qualify for low value or short-term leases.

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.

According to the preliminary assessment made by the Directors, the Group does not anticipate any significant impact on the Group's financial position and results of operations upon adopting the other new standards, amendments to existing standards and new interpretations. The management of the Group plans to adopt these new standards, amendments to existing standards and new interpretations when they become effective.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale (or included in a disposal group that is classified as held for sale), in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that is not related to the Group.

Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

Fair value measurement

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

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

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

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the recoverable amount of that asset since the last impairment loss was recognised, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. Such reversal is credited to profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

Mining rights and reserves

Mining rights and reserves are stated at cost less accumulated amortisation and any impairment losses. Mining rights and reserves include the cost of acquiring mining licences, exploration and evaluation costs transferred from exploration rights and assets upon determination that an exploration property is capable of commercial production, and the cost of acquiring interests in the mining reserves of existing mining properties. The mining rights and reserves are amortised over the estimated useful lives of the mines, in accordance with the production plans of the entities concerned and the proved and probable reserves of the mines using the Units of Production (“UOP”) method. Mining rights and reserves are written off to profit or loss if the mining property is abandoned.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9)

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

– The financial asset is held within a business model whose objective is to collect contractual cash flows; and

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

– The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Despite of the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

– The Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

– The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Financial assets at amortised cost

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

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below), For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

– It has been acquired principally for the purpose of selling in the near term; or

– On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

– It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of investment.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Impairment of financial assets (upon application of IFRS 9)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the relevant financial instrument.

Assessment is made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Losses allowances for trade receivables are always measured at an amount equal to lifetime ECLs. For other financial assets, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– Failure to make payments of principal or interest on their contractually due dates;

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

– An actual or expected significant deterioration in the operating results of the debtor;

– Existing or forecast adverse changes in the regulatory, business, economic or technological environment of the debtor that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

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

(a) Significant financial difficulty of the debtor;

(b) A breach of contract, such as default or delinquency in interest or principal payments;

(c) Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

(d) It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) The disappearance of an active market for the financial asset because of financial difficulties of the issuer.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

For financial assets, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

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

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

Derecognition of financial assets (upon application of IFRS 9)

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

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

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into two categories, including available-for-sale investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sale investments are those non-derivatives that either are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At the end of each reporting period subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognized in other comprehensive income and accumulated under the heading of available-for sale investment revaluation reserve until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale investment revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment of financial assets below), unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

– significant financial difficulty of the issuer or counterparty; or

– breach of contract, such as default or delinquency in interest or principal payments; or

– it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of available-for-sale investment revaluation reserve. In respect of available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets (before application of IFRS 9 on 1 January 2018)

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables, interest-bearing bank and other borrowings and notes are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Financial guarantee contract liabilities

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

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss and do not arise from a transfer of a financial asset, are measured subsequently at the higher of:

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

– the amount recognised initially less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Accounting policies applied from 1 January 2018

Revenue is recognised when control over the goods is transferred to the customer. Revenue is measured at the fair value of the consideration received and receivable, and represents amounts receivable for goods supplied, stated net of value added tax or other sales taxes and is after deduction of any trade discounts. The Group recognises revenue when the amount of revenue and costs can be measured reliably; the recovery of the consideration is probable; and when specific criteria have been met for each of the Group's activities, as described below. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

Sale of goods

Revenue from sales of goods is recognised at the point in time that the control of the goods has passed to the customers. Customers obtain control of the goods supplied when related risks and rewards of ownership were transferred under the delivery terms of the relevant contracts with the customers.

Interest income

Interest income from a financial asset is recognised as it accrues on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. For financial assets measured at amortised cost or fair value through other comprehensive income that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Accounting policies applied until 31 December 2017

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

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

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

Pension schemes

Mainland China

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

Hong Kong

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

Malaysia

The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to this scheme are recognised as an expense in the period in which the related service is performed.

Borrowing costs

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

Dividends

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

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

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the sponge iron production and selling operation segment comprises production and sale of sponge iron to steel manufacturers in Malaysia and Indonesia;

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

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

No operating segments have been aggregated to form the above reportable operating segments.

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/loss 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 gains/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 2018

	Iron ore mining and processing operation *USD'000*	Sponge iron production and selling operation *USD'000*	Commercial trade *USD'000*	Financing operation *USD'000*	Total *USD'000*
SEGMENT REVENUE	1,553	–	1,445,455	–	1,447,008
SEGMENT RESULTS	(941)	(1)	5,485	1,700	6,243
Reconciliation:					
Interest income on bank deposits					1
Foreign currency losses, net					(326)
Corporate and other unallocated expenses					(2,651)
Profit before tax					3,267
SEGMENT ASSETS	22,625	49,999	205,081	24,057	301,762
Reconciliation:					
Cash and cash equivalents					183
Deferred tax assets					13
Corporate and other unallocated assets					659
Total assets					302,617
SEGMENT LIABILITIES	1,566	–	141,192	–	142,758
Reconciliation:					
Tax payable					3,910
Deferred tax liabilities					2,910
Corporate and other unallocated liabilities					228
Total liabilities					149,806
OTHER SEGMENT INFORMATION					
Interest income	–	–	161	1,700	1,861
Finance costs	(29)	–	(10,028)	–	(10,057)
Depreciation and amortisation	(774)	–	–	–	(774)
Write-off of other receivable	–	–	(314)	–	(314)
Share of loss of an associate	–	(1)	–	–	(1)
Investment in an associate	–	49,999	–	–	49,999

Year ended 31 December 2017

	Iron ore mining and processing operation *USD'000*	Sponge iron production and selling 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)
Write-off of other receivable	–	–	–	–	–
Share of loss of an associate	–	–	–	–	–
Investment in an associate	–	–	–	–	–

Revenue from major products

The Group's revenue from its major products are disclosed in note 4.

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.

	2018	2017
	USD'000	*USD'000*
Domestic – Malaysia	**1,553**	–
Overseas – Netherlands	**–**	1,692
Overseas – South Korea	**177,551**	23,303
Overseas – The PRC	**1,267,904**	1,079,621
	1,447,008	1,104,616

As at 31 December 2018, except for certain office furniture and motor vehicles located in Hong Kong and Mainland China with the respective net carrying amounts of USD13,000 (2017: USD30,000) and USD151,000 (2017: USD277,000), all of the Group's non-current assets excluding financial instruments and deferred tax assets were located in Malaysia, place of domicile of the Group's principal subsidiary, Capture Advance.

Information about major customers

Included in revenue arising from the commercial trade segment are revenue from each of the major customers, which amounted to 10% or more of the total revenue, as set out below:

	2018	2017
	USD'000	*USD'000*
Customer A	**413,219**	–
Customer B	**385,904**	157,748
Customer C	**224,405**	326,836
Customer D	**143,196**	*
Customer E	*****	204,742

* Less than 10%

4. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major lines of business:

	2018	2017
	USD'000	*USD'000*
Disaggregation of revenue		
Iron ore products, crude oil and other commodities – commercial trade	**1,445,455**	1,104,616
Iron ore products – iron ore mining and processing operation	**1,553**	–
	1,447,008	1,104,616

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2018	2017
	USD'000	*USD'000*
Interest on bank loans	**4,120**	1,699
Interest on notes	**5,907**	3,716
Interest on hire purchase arrangements	**1**	2
Unwinding of discount on provision	**29**	27
	10,057	5,444

6. PROFIT BEFORE TAX

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

	2018	2017
	USD'000	*USD'000*
Cost of inventories recognised as expense	**1,428,437**	1,088,089
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**1,559**	1,813
Pension scheme contributions – Defined contribution schemes	**76**	54
Welfare and other benefits	**156**	229
Total employee benefit expense	**1,791**	2,096
Depreciation	**896**	893
Amortisation of intangible assets	**23**	23
Depreciation and amortisation expenses	**919**	916
Operating lease payments – minimum lease payments in respect of:		
Motor vehicles	**113**	111
Office	**226**	205
	339	316
Auditor's remuneration		
– Audit services		
current year	**232**	186
under-provision in prior year	**–**	8
– Other services	**13**	39
	245	233
Write-off of other receivable***	**314**	–
Interest income**	**(1,862)**	(2,611)
Net foreign currency losses/(gains)*	**326**	(757)

* The net amount of foreign currency losses of USD326,000 for the year ended 31 December 2018 is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018. The net amount of foreign currency gains of USD757,000 is 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.

** This item is included in "Other income and gains" in the consolidated statement of profit or loss and other comprehensive income.

*** This item is 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% (2017: 24%) on the assessable profits generated during the year.

Hong Kong profits tax has been provided for the year ended 31 December 2018 at the rate of 8.25% (2017: 16.5%) of the first HK$2,000,000 and 16.5% (2017: 16.5%) of the remaining estimated assessable profits arising in Hong Kong during the year.

The major components of income tax expense are as follows:

	2018	2017
	USD'000	*USD'000*
Current tax – Hong Kong		
Provision for the year	**969**	1,108
Overprovision in respect of prior year	**(229)**	(696)
	740	412
Deferred tax	**(7)**	188
Total tax charge for the year	**733**	600

A reconciliation of income tax expense applicable to profit before tax 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:

	2018	2017
	USD'000	*USD'000*
Profit before tax	**3,267**	4,015
Add: Share of loss of an associate	**1**	–
	3,268	4,015
Tax at Hong Kong statutory tax rate of 16.5% (2017: 16.5%)	**695**	766
Tax at Malaysia statutory tax rate of 24% (2017: 24%)	**(226)**	(151)
Benefit of tax losses not recognised	**269**	–
Tax effect of utilisation of tax losses not previously recognised	**(7)**	(57)
Tax effect of income not subject to tax	**(839)**	(744)
Tax effect of expenses not deductible for tax	**1,091**	1,274
Overprovision in prior year	**(229)**	(476)
Others	**(21)**	(12)
Tax charge at the Group's effective tax rate	**733**	600

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 (2017: 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 2018 and 2017 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

During the year, the Group disposed of a 9.12% interest in Pacific Mining as consideration of USD50,000,000 in exchange for a 33.33% equity interest in Pembinaan Sponge Iron Sdn. Bhd. (the "Partial Disposal"). The Partial Disposal did not result in a loss of control by the Group in Pacific Mining which remains as a subsidiary of the Group after the Partial Disposal. After the Partial Disposal, the Group's ownership interest in Pacific Mining has decreased from 100% to 90.88%. The effect of the Partial Disposal attributable to the shareholders of the Company is summarised as follows:

	USD'000
Consideration received from non-controlling interest	50,000
Less: carrying amount of non-controlling interest disposed of	(1,713)
Gain on disposal credited to other reserve	48,287

10. MATERIAL NON-WHOLLY OWNED SUBSIDIARY

The table below shows the details of a non-wholly owned subsidiary of the Group that have material non-controlling interests:

Name of subsidiary	Principal place of business and place of incorporation	Proportion of ownership interest held by non-controlling interests		Profit/(loss) allocated to non-controlling interests for the year		Accumulated non-controlling interests	
		31/12/2018	31/12/2017	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
				USD'000	*USD'000*	***USD'000***	*USD'000*
Pacific Mining Resources Sdn. Bhd. ("Pacific Mining")	Malaysia	**9.12%**	–	**–**	–	**1,713**	–

During the year, the Group disposed of a 9.12% of its interest in Pacific Mining in exchange for the Group's subscription of 33.33% issued shares of Pembinaan Sponge Iron Sdn. Bhd.(note 9). An amount of USD1,713,000 (being the proportionate share of the carrying amount of net assets in Pacific Mining) has been transferred to non-controlling interests upon the disposal of the above interest in Pacific Mining.

11. INVESTMENT IN AN ASSOCIATE

Pursuant to a joint venture agreement (the "Agreement") dated 14 December 2018 between Best Sparkle, an indirect wholly-owned subsidiary of the Company, and an independent third party, both parties agreed to establish a joint venture company (the JV Company") in Malaysia. In accordance with the Agreement, Best Sparkle has subscribed 33.33% issued shares of the JV Company at a consideration of USD50,000,000 which was satisfied by contributing 9.12% of the issued shares of Pacific Mining, a subsidiary of Best Sparkle. The JV Company was incorporated on 21 December 2018.

The Group's interest in the JV Company is accounted for as investment in an associate using the equity method in the consolidated financial statements as set out in the Group's accounting policies in note 2.4. Particulars of the associate at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest held by the Group	
			31/12/2018	31/12/2017
Pembinaan Sponge Iron Sdn. Bhd.	Not yet commenced business	Malaysia	**33.33%**	N/A

The above associate is an unlisted entity in Malaysia whose quoted market price is not available.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	USD'000	*USD'000*
Unlisted equity investments, at fair value	**15,267**	23,808

The movements of the unlisted equity investments are as follows:

	2018	2017
	USD'000	*USD'000*
At 1 January	**23,808**	23,884
Total unrealized losses recognized in other comprehensive income	**(8,541)**	(76)
At 31 December	**15,267**	23,808

As at 31 December 2017, the Group's unlisted equity investments were classified as available-for-sale investments under IAS 39. Upon the initial application of IFRS 9, these investments have been reclassified as financial assets at FVTOCI.

The Group's unlisted equity investments are not held for trading. Instead, they are held for long-term strategic purposes. Accordingly, the Directors have elected to designate these investments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair values in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

13. 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:

	2018	2017
	USD'000	*USD'000*
Within 3 months	**141,359**	128,712
3 to 6 months	**63,734**	65,764
	205,093	194,476

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.

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

As at 31 December 2017, included in the Group's trade receivables balance are debtors with aggregate carrying amount of USD49,724,000 which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as the amount was substantially collected subsequently.

An aged analysis of the trade receivables which are past due but not impaired as at 31 December 2017 is as follows:

	2017
	USD'000
Less than 1 month past due	20,010
Past due more than 1 month but less than 3 months	24,472
Past due more than 3 months	5,242
	49,724

As at 31 December 2018, trade receivables of USD205,081,000 (2017: USD194,476,000) were pledged to banks to secure bank loans (note 17(a)).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**2018** *USD'000*	2017 *USD'000*
Prepayments in respect of purchase of iron ore	(a)	**–**	35,592
Other receivables in respect of:			
– disposal of property, plant and equipment	(b)	**–**	6,438
– interest-bearing loan to a company	(c)	**8,790**	8,500
Other prepayments, deposits and receivables		**591**	369
		9,381	50,899

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 represents a loan with a principal of USD8,500,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2017: USD8,500,000) together with the interest receivable thereon. The details of the loan are set out in the announcement dated 24 December 2015. The loan is interest-bearing at 20% per annum and is repayable with interest upon three months' notice by the Group.

15. TRADE PAYABLES

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

	2018	2017
	USD'000	*USD'000*
Within 3 months	**1,953**	26,052
6 months to 12 months	**–**	–
Over 1 year	**–**	26
	1,953	26,078

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

16. OTHER PAYABLES AND ACCRUALS

	2018	2017
	USD'000	*USD'000*
Due to the ultimate holding company	**60,000**	60,000
Other payables and accruals	**2,384**	3,503
	62,384	63,503

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2018			2017		
	Notes	**Effective interest rate (%)**	**Maturity**	***USD'000***	Effective interest rate (%)	Maturity	*USD'000*
Current							
Bank loans – secured	(a)	**9.44–9.59**	**2019**	**40,946**	2.29-3.89	2018	55,999
Hire purchase arrangements – secured	(b)	**2.47**	**2019**	**7**	2.36-2.47	2018	18
				40,953			56,017
Non-current							
Hire purchase arrangements – secured	(b)			**–**	2.36-2.47	2019-2020	7
				40,953			56,024

Analysed into:

	2018	2017
	USD'000	*USD'000*
Bank loans repayable:		
Within one year	**40,946**	55,999
Hire purchase arrangements repayable:		
Within one year	**7**	18
In the second year	**–**	6
In the third to fifth years, inclusive	**–**	1
	7	25
	40,953	56,024

Notes:

(a) As at 31 December 2018, the bank loans of China Bright HK, an indirect wholly-owned subsidiary of the Company, were secured by the trade receivables of USD205,081,000 (note 13), and were guaranteed by the Company and a director of the Company at nil consideration.

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 and by trade receivables of USD194,476,000 (note 13), 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 two years. As at 31 December 2018, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles acquired with an aggregate carrying amount of USD1,000 (2017: USD6,000)).

(c) Except for the hire purchase arrangements which were denominated in RM and the issued notes with carrying amount of USD19,358,000 as at 31 December 2018 (2017: USD20,882,000) which was denominated in HKD, all borrowings were denominated in USD.

(d) During the year, the Group re-negotiated repaying the principal of bank loans with aggregate carrying amount at the end of the reporting period of USD40,946,000. The Group and the lender renegotiated the terms of such bank loans and agreed a repayment schedule pursuant to which the above bank loans plus interest are to be settled by six instalments with the first instalment repayable in December 2018 and the last instalment repayable in November 2019.

At 31 December 2018, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

	Minimum lease payments 2018	Minimum lease payments 2017	**Present value of minimum lease payments 2018**	Present value of minimum lease payments 2017
	USD'000	*USD'000*	***USD'000***	*USD'000*
Amounts payable:				
Within one year	**7**	19	**7**	18
In the second year	**–**	6	**–**	6
In the third to fifth years, inclusive	**–**	1	**–**	1
Total minimum hire purchase payments	**7**	26	**7**	25
Future finance charges	**–**	(1)		
Total net hire purchase payables	**7**	25		
Portion classified as current liabilities	**(7)**	(18)		
Non-current portion	**–**	7		

18. NOTES

	Notes	**2018** ***USD'000***	2017 *USD'000*
Current:			
Note 1 – redemption date falling due within one year	(a)	**19,358**	20,882
Note 2 – redemption date falling due within one year	(b)	**17,929**	–
		37,287	20,882
Non-current:			
Note 2 – redemption date falling due after one year	(b)	**–**	19,810
Total		**37,287**	40,692

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 SEHK 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 is calculated as follows:

	USD'000
Carrying amount at 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 and 1 January 2018	20,882
Repayment of principal made during the year	(1,915)
Effective interest recognised for the year *(note 5)*	4,425
Interest paid or payable	(4,278)
Exchange realignment	244
Carrying amount at 31 December 2018	19,358

(b) On 19 October 2017, the Company entered into a subscription agreement with an independent third party institution (the "Noteholder 2") pursuant to which the Company issued the 7% fixed coupon guaranteed notes (the "Note 2") in the principal amount of 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 SEHK for five (5) consecutive trading days or more for any reason or cessation of trading of the Company's shares on SEHK 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 and securities

The Note 2 were guaranteed by Cosmo Field and Mr. Li Yang and secured by an aggregate of 172,352,000 shares of the Company.

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 and 1 January 2018	19,810
Repayment of principal during the year	(2,000)
Effective interest recognised for the year *(note 5)*	1,482
Interest paid or payable	(1,363)
Carrying amount at 31 December 2018	17,929

(c) According to the relevant subscription agreement, the original final redemption date of the Note 1 falls on 19 March 2018 and on that date, the Company entered into a letter agreement (the "Letter Agreement") with the 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 of USD2,000,000 to the holder of the Note 1 on or before 29 March 2018 to be applied first to interest accrued due as at the date of such payment and thereafter to reduce the principal balance of the Note 1.

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

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

As referred to note 18(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. On 19 May 2018, the holder of the Note 1 further agreed to waive the condition regarding the Debt Ratio with respect to the Group's unaudited interim financial information for the six months ended 30 June 2018.

During the year, 9.12% of the issued shares of Pacific Mining was issued to an independent third party. According to the New Letter Agreement, the holder of the Note 1 has agreed to extend its waiver and forbearance on the covenant with respect to the disposal of the 9.12% of the issued shares of Pacific Mining.

19. SHARE CAPITAL

Shares

	2018	2017
	USD'000	*USD'000*
Authorised:		
3,000,000,000 (2017: 3,000,000,000)		
ordinary shares of HK$0.01 each	**3,867**	3,867
Issued and fully paid:		
1,500,000,000 (2017: 1,500,000,000)		
ordinary shares of HK$0.01 each	**1,934**	1,934

20. EVENTS AFTER THE REPORTING PERIOD

Pursuant to a sub-contract agreement for iron ore producing in relation to Ibam Mine entered into between the Group and a mining contractor, a third party, on 1 January 2019 and which will expire on 31 December 2019, the Group shall provide the machine to the mining contractor for producing and the mining contractor shall provide people for iron ore mining and produce, provide the supplementary equipment during crushing, processing, mining, and all the resources including diesel, steel ball and etc. If the production volume is equal to or less than 30 thousand tonnes, the service fee for the mining contractor is RM216 per tonne of iron ore produced, if the production volume exceeds 30 thousand tonnes, the service fee should be re-negotiated and agreed between the Group and the mining contractor.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS DEVELOPMENT

The Company acts as an investment holding company, and its principal business activities are iron ore exploration, mining, crushing and beneficiation as well as sale of iron ore products and other commodities, and investment holding. There were no significant changes in the nature of the Group's principal activities during 2018 (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 in the first three quarters during the year. Limited mining and production activities were conducted in the last quarter of 2018. As such, mining volume and production volume recorded for the year were 124.6 Kt and 30.2 Kt respectively (2017: nil and nil 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.

The Group clearly understand the advantage of diversification and did not stop searching for new business opportunities. On 14 December 2018, a Company's indirect wholly-owned subsidiary, entered into the joint venture agreement with Affluent Oasis Sdn. Bhd., an independent entity established in Malaysia which was engaged in manufacturing of steel products, for establishing a joint venture company. The joint venture company will be engaged in operating the direct reduced iron plant which is situated in Mukim of Teluk Kalung, District of Kemaman, State of Terengganu, Malaysia. For further details, please refer to the announcement dated 14 December 2018.

MARKET REVIEW AND OUTLOOK

Looking back at China's steel market in 2018, the main theme was still the restriction on production for the sake of environmental protection. In the first half of the year, the production volume of steel was notably rather low. However, in the second half of the year, due to the relaxation of environmental protection requirements and an increase in the profit margin of products, the production volume increased notably. Although product prices had dropped notably since the beginning of 2018, fortunately demand rose towards the end of 2018, so stock was sold at a very satisfactory pace. In the second half of 2018, the inventories of certain categories of steel products basically stayed at a low for recent years.

However, stepping into December 2018, China resumed its restriction on production for the sake of environmental protection. This indicates that there were more uncertainties in the macroeconomic environment and internal and external pressure increased notably in 2018. It also led to a relatively large change in China's economic policies. Currently, a number of indicators related to the property investment industry are quite clearly divergent. What is foreseeable in the future is that the growth rate of the area of newly commenced real estate units will decline while the growth rate of completed area will increase. Certainly, not only is the growth of newly commenced area currently at a high level, its absolute amount is also at a high level. As China's urbanization rate grows higher and higher, it is expected that the recurring demand for iron ore in the property development industry will not be that strong in the future.

The issue of an aging population is gradually emerging in China now. The labour force as a percentage of the population is likely to see a relatively obvious decline in the future. As calculated based on current data, China could accomplish its urbanization goal in five to six years. In other words, in the property development industry, the demand for purchasing new housing units will weaken gradually. Since investments in land are a leading indicator, the negative growth in investments in land in 2018 necessarily corresponds to a decline in steel usage in the property development industry in 2019, and the increased steel usage in the property development industry in 2018 was actually a positive result of the growth in investments in land during 2016 to 2017. Therefore, it is estimated that steel usage in the property development industry will decrease by around 3% in 2019.

With reference to the Chinese market, investments in infrastructure are often used as a hedge against losses on investments in real estate. Now, investments in infrastructure have started to rebound from a low level and are expected to continue to grow in 2019. In addition, steel usage in the automotive industry has peaked, while the increase in steel usage in machinery and home appliances is relatively limited. Specifically, in 2018, the overall demand for steel plates was still satisfactory in the first half of the year, but there was a relatively noticeable decline in the second half of the year. It is possible that this downward trend will extend into the first half of 2019. In addition, the profit per tonne of steel fell sharply, which made high-grade ore and scrap steel less preferred for steel plants. When low profits or a loss is expected, the production volume of steel made with electric furnaces will also be affected.

The overall iron ore market was weak in 2018, but it is forecasted that the fundamental situation in relation to iron ore will undergo a relatively large change in 2019. Looking at the demand for and supply of iron ore from a global perspective, from 2010 to the end of 2017, the global production volume of crude steel increased by approximately 310 Mt, but if China is excluded as a factor, it merely increased by 69 Mt. If we further look at the increase in the production volume of iron ore, it was around 289 Mt. In other words, the increase in the production volume of iron ore was notably less than the increase in the production volume of crude steel.

It is expected that the overall fundamental situation in relation to iron ore in China will improve in 2019 compared to 2018. The question lies in the change in the grade requirements of iron ore. Earlier, due to the reforms on the supply side, steel plant profits notably improved, and so medium grade and medium-high grade products were noticeably more preferred. Now the grade requirements of iron ore basically changed from high grade at the beginning of 2018 to medium-high grade at the end of the year, and now it is basically in the process of further changing from medium-high grade to medium-low grade.

The environmental protection and capacity reduction work in the iron and steel industry was approaching an end in 2018. When the pressure for downward movements in the economy mounts, the Chinese government will be forced to suitably align its environmental protection policies with its economic policies. Therefore, it is anticipated that the iron and steel production capacity utilization rates will remain high in 2019, and there may be relatively noticeable changes in Chinese government's policies. Moreover, starting from 2019, mergers and restructuring are likely to be the focus of the development of the iron and steel industry. The iron and steel industry's control over the supply side will be further enhanced, and the steel plants' bargaining power will also be stronger. As for demand, the property development industry's demand for steel may be gradually approaching its peak and it will only constitute a relatively limited driving force in the market. However, the growth rate of investments in infrastructure has picked up, and a peak of infrastructural steel usage may appear in the second half of 2019. Nevertheless, its stimulation effect is still subject to other conditions, such as the debt issues of local governments. As a result, the intensity of investments in infrastructure may be lower in the current cycle than in previous years. Products such as motor vehicles and home appliances are especially affected by the poor sales of commercial housing, and so it is anticipated that downstream demand for steel plates will not be high. Lastly, the machinery industry's demand for steel is not particularly promising and the Sino-US trade war will still have a certain impact on it.

According to a report, it is estimated that the output of mines worldwide will increase by 39.3 Mt in 2019. The output of the four major mines will increase by only 15 Mt, which is still a relatively small amount. As a result, the growth rate of the supply of high-grade ore will slow down greatly in 2019. However, the demand for iron ore will see a notable increase in 2019, so the global supply and demand relationship in respect of iron ore should generally be better than in 2018. On the demand side, the surge in demand after Lunar New Year is anticipated to be earlier in 2019 than in 2018, but it is more likely to be an evenly distributed process, so there will not be a series of bursts as was the case in 2018. It is anticipated that the surge in demand will not be high in general.

BUSINESS & OPERATIONS REVIEW

Project Ibam operation update

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

The tenure of the Mining Lease with respect to Ibam Mine which had been expired on 15 December 2018, have been extended for another two years expiring on 15 December 2020 ("Extended Term"). Best endeavours have been made to procure the extension of the Mining Lease, and the Extended Term has been granted with the approval of the governmental authorities in Malaysia. For further details, please refer to the announcement of the Company dated 25 January 2019.

As at 31 December 2018, the Group owned 5 beneficiation lines and 2 crushing lines. During the Year, the Group focused on commodities trading and no mining and production activities were recorded in the first three quarters of 2018. The annual mining volume and production volume were 124.6 Kt and 30.2 Kt respectively due to the temporary suspension of mining activities in 2018 (2017: Nil and Nil respectively).

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

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change
Mining Volume	**124.6 Kt**	0.0 Kt	N.A.
Production Volume	**30.2 Kt**	0.0 Kt	N.A.

Total mining volume and crushed of Ibam Mine for the year ended 31 December 2018 was 124,612 tonnes, as set out below:

Quarter ended	**Quarterly Ore mined and crushed** (tonnes)	**Average Fe Grade** (%)
31 March 2018	–	N.A.
30 June 2018	–	N.A.
30 September 2018	–	N.A.
31 December 2018	124,612	62.0

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

Business Strategy

The volatility of international iron ore prices during the year was huge from as low as USD62.50 to the peak of USD79.95. 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.

On 14 December 2018, a Company's indirect wholly-owned subsidiary, entered into the joint venture agreement with Affluent Oasis Sdn. Bhd., an independent entity established in Malaysia which was engaged in manufacturing of steel products, for establishing a joint venture company. The joint venture company will be engaged in operating the direct reduced iron plant which is situated in Mukim of Teluk Kalung, District of Kemaman, State of Terengganu, Malaysia. For further details, please refer to the announcement dated 14 December 2018.

Further on 10 January 2019, the Company entered into a non-legally-binding memorandum of understanding (the "MOU") with 深圳閱程網絡科技股份有限公司 (Shenzhen Yuecheng Network Technology Company Limited) ("Yuecheng Technology") and 深圳市租電智能科技有限公司 (Shenzhen City Zudian Technology Company Limited) ("Zudian Technology") (collectively the "Target Companies") respectively, with respect to the Company's proposed equity investment in the Target Companies (the "Potential Project"). Further details, please refer to the announcement dated 10 January 2019.

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 with limited mining business. Keen price competition lowered the gross profit margin by 0.23 percent point. Our aggressive pricing and terms of trade helped to raise gross profit by 11.5% to USD18.4 million (2017: USD16.5 million).

In 2018, the Group recorded revenue of USD1,447.0 million (2017: USD1,104.6 million), representing an increase of USD342.4 million or 31.0% compared with the same period of the previous year. The sales volume of iron ore products decreased by 51.2% to approximately 6,501 Kt on dry basis (2017: approximately 13,320 Kt). The products sold had an average iron ore grade of 62.0% (2017: 62.0%). During the year, the average selling price of the Group's iron ore products on dry basis was USD70.8 per tonne (2017: USD74.5 per tonne). International iron ore prices fluctuated considerably, our gross profit margin has decreased to 1.3% (2017: 1.5%) due to price competition.

Profit for the year decreased by 26.5% to USD2.5 million from USD3.4 million, and earnings per share was 0.17 US cents (2017: 0.23 US cents) which was largely due to increase in finance costs which outweighted the decrease in selling and distribution expenses, and administrative expenses.

The sales analysis for the Group is as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017	Change
Sales Revenue	**USD1,447,008,000**	USD1,104,616,000	+31.0%
– Iron Ore	**USD460,434,000**	USD992,707,000	-53.6%
– Other Commodities [note]	**USD986,574,000**	USD111,909,000	+781.6%
Sales Volume (dry basis)			
– Iron Ore	**6,501,000 tonnes**	13,320,000 tonnes	-51.2%
– Other Commodities [note]	**387,000 tonnes**	17,000 tonnes	+2,176.5%
– Petroleum products	**5,458,000 barrels**	– barrels	N/A
Gross Profit	**USD18,385,000**	USD16,527,000	+11.5%
Gross Profit Margin	**1.27%**	1.5%	-0.23 percentage points

Note: Nickel cathodes, copper cathodes, lead ore products, zinc ingots and aluminum during the year.

FINANCIAL REVIEW

PROFIT AND OTHER COMPREHENSIVE INCOME

Revenue

During the year, the Group's revenue reached approximately USD1,447.0 million, about 31.0% higher than that recorded in 2017, which was USD1,104.6 million. The increase in revenue was mainly due to the Group's aggressive marketing price strategy in trading of other commodities.

Cost of sales

During the year ended 31 December 2018, the Group's cost of sales reached approximately USD1,428.6 million, about 31.3% higher than approximately USD1,088.1 million recorded in 2017. The cost of sales comprised the purchase costs of iron ore products and other commodities from trading activities in the amount of USD1,426.9 million (2017: USD1,088.1 million).

Gross profit

During the year ended 31 December 2018, the Group's gross profit reached approximately USD18.4 million, about 11.5% higher than approximately USD16.5 million recorded in 2017. Gross profit grew substantially because the Group gave aggressive price offers to bloom sales quantities during the year. The average selling price of iron ore products decreased from USD74.5 per tonne to USD70.8 per tonne during the year.

Administrative Expenses

During the year ended 31 December 2018, the Group's administrative expenses reached approximately USD5.7 million, about 34.5% lower than USD8.7 million recorded in 2017. The decrease was mainly due to decrease in staff costs and business entertainment travelling, and miscellaneous expenses.

Other Expenses

During the year ended 31 December 2018, the Group's other expenses were approximately USD1.0 million, which was approximately as much as the other expenses for 2017 of USD1.0 million. During the year, decrease in bank charges in documentary letter of credit was recorded and the effect was set off by increase in other expenses.

Finance Costs

During the year ended 31 December 2018, the Group's finance costs reached approximately USD10.1 million, about 87.0% higher than USD5.4 million recorded in 2017. The increase was mainly due to interest expense incurred for the notes issued of USD5.9 million (2017: USD3.7 million) and interest expense incurred for bank loans of USD4.1 million (2017: USD1.7 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 Notes to Financial Statements for further details.

Income Tax Expenses

During the year, the Group's income tax expense reached approximately USD0.7 million, about 16.7% higher than the approximately USD0.6 million in the year of 2017. The effective tax rate was 22.4% in comparing with 14.9% of last year. The increase in effective tax rate was mainly due to the increase in non-deductible interest expenses pulled up the taxable profits.

Profit for the Year

Profit for the year ended 31 December 2018 decreased by 26.5%, from approximately USD3.4 million for the year ended 31 December 2017 to approximately USD2.5 million for the year ended 31 December 2018. The net profit margin decreased to 0.18% for the year ended 31 December 2018 from 0.31% for the year ended 31 December 2017. Decrease in profit for the year was mainly due to effect of increase in finance costs were higher than the contribution of increase in gross profit.

Total Comprehensive (Loss)/Income for the Year

Total comprehensive loss for the year ended 31 December 2018 was approximately USD4.9 million, while the Group recorded a total comprehensive income of approximately USD5.2 million for the year ended 31 December 2017. Total comprehensive loss for the year under review mainly arose from the fair value decrease of approximately USD7.1 million (net of tax) in respect of the equity investments designated as at fair value through other comprehensive income, foreign exchange loss arising from translation of foreign operations of approximately USD0.4 million (2017: foreign exchange gain arising from translation of foreign operations of approximately USD1.8 million) and decrease in profit for the year ended 31 December 2018 by approximately USD0.9 million comparing to the year ended 31 December 2017.

SHAREHOLDER LOAN FROM CONTROLLING SHAREHOLDER TO COMPANY

As at 31 December 2018, the Group had interest-free loans from the ultimate holding company, Cosmo Field, of USD60,000,000 (note 16 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, 22 December 2016 and 27 September 2018, 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 2018 was approximately USD152.8 million (31 December 2017: USD107.7 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 2018, current assets of approximately USD214.7 million primarily comprised USD205.1 million of trade receivables, USD9.4 million of prepayments, deposits and other receivables, and USD0.2 million of cash and cash equivalents. Current liabilities of approximately USD146.5 million mainly comprised USD2.0 million of trade payables, USD62.4 million of other payables and accruals, USD41.0 million of interest-bearing bank and other borrowings, USD37.3 million of notes payable and USD3.9 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.5 as at 31 December 2018 (2017: 1.5). The liquidity position indicated that the Group has sufficient financial resources to finance its business and to meet its working capital requirements subject to the recoverability of trade receivables.

As at 31 December 2018, the Group had certain interest-bearing bank and other borrowings of USD41.0 million in total (2017: USD56.0 million). The bank and other borrowings were mainly used to finance the issuance of letter of credit and working capital of the Group.

Cash and Cash Equivalents

Cash and cash equivalents of the Group in 2018 decreased by approximately USD1.9 million compared to 2017.

Detailed cash flow analysis is as follows:

	For the year ended 31 December	
	2018	2017
	USD'000	*USD'000*
Cash and cash equivalents in the consolidated statement of cash flows at beginning of year	**2,085**	74,922
Net cash from/(used in) in operating activities	**18,950**	(127,409)
Net cash flows from investing activities	**8,692**	6,110
Net cash flows (used in)/from financing activities	**(29,543)**	48,509
Net decrease in cash and cash equivalents	**(1,901)**	(72,790)
Effect of foreign exchange rate changes, net	**(1)**	(47)
Cash and cash equivalents at end of year	**183**	2,085

Net Cash Flows from/(used in) Operating Activities

The Group's net cash flows in operating activities changed from approximately USD127.4 million outflow for the year ended 31 December 2017 to inflow of approximately USD19.0 million for the year ended 31 December 2018. It primarily included the profit before tax of USD3.3 million and the outflow of cash was mainly contributed by the increase in trade receivables of approximately USD10.6 million, decrease in trade payables of approximately USD24.1 million and offset by the decrease in prepayments, deposits and other receivables of approximately USD41.5 million.

Net Cash Flows from Investing Activities

The Group's net cash flows from investing activities increased by 42.6%, from inflow of approximately USD6.1 million for the year ended 31 December 2017 to inflow of approximately USD8.7 million for the year ended 31 December 2018. It primarily included decrease in pledged bank deposit for approximately USD7.1 million and interest received for approximately USD1.6 million.

Net Cash Flows (used in)/from Financing Activities

The Group's net cash flows in financing activities decreased by 160.9%, from inflow of approximately USD48.5 million for the year ended 31 December 2017 to outflow of approximately USD29.5 million for the year ended 31 December 2018. The decrease is primarily due to no cash inflows from Cosmo Field (the Company's Controlling Shareholder) and proceeds from issue of notes were recorded during the year (2017: net inflows of USD10 million and USD20 million respectively). Besides, net decrease in bank borrowing of USD15.1 million (2017: net increase of USD22.3 million) and increase in payment of interest from USD3.7 million for the year ended 31 December 2017 to USD10.6 million for the year ended 31 December 2018 contributed the sharp decrease in cash flow of this class of activities.

Trade Receivables

The Group's trade receivables increased by 5.4%, from approximately USD194.5 million as at 31 December 2017 to approximately USD205.1 million as at 31 December 2018 which was mainly due to the lengthening of trade receivable turnover days. Trade receivable turnover days were approximately 50 days (2017: 47 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 2018, all trade receivables of the Group, based on the sales recognition date, were aged within six months and all of the trade receivables were neither past due nor impaired.

Prepayments, Deposits and Other Receivables

As at 31 December 2018, the Group's prepayments, deposits and other receivables amounted to approximately USD9.4 million (31 December 2017: approximately USD50.9 million). The significant decrease was mainly due to the other receivable in respect of disposal of property, plant and equipment had been recovered during the year (31 December 2017: approximately USD6.4 million), and 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 had been crystalized and did not recur as at the year end date. During the years of 2018 and 2017, 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 USD2.0 million as at 31 December 2018 and approximately USD26.1 million as at 31 December 2017. The significant decrease was due to a sharp decrease in commodities trading in December 2018 and most of the trade payables were settled before the year end date.

Net Current Assets Position

The Group's net current assets decreased during the year, from net current assets of approximately USD84.5 million as at 31 December 2017 to net current assets of approximately USD68.2 million as at 31 December 2018. The decrease was primarily attributable to decrease in prepayments, deposits and other receivables for the amount of approximately USD41.5 million, decrease in cash and cash equivalents for the amount of approximately USD1.9 million, increase in notes as current liabilities for approximately USD16.4 million. Decrease in interest-bearing and other borrowings for approximately USD15.1 million and significant decrease in trade payables for the amount of approximately USD24.1 million during the year formed the offsetting items against the current assets.

Borrowings

As at 31 December 2018, the Group's borrowings mainly included: (i) secured bank loans of approximately USD41.0 million with an annual interest rate ranging from 9.44% to 9.59%; (ii) hire purchase arrangements for motor vehicles of USD7,000 with an annual interest rate of 2.47%; (iii) notes amounted USD37.3 million which comprised the Note 1 of USD19.4 million and the Note 2 of USD17.9 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 2018, the Company also owed shareholder loans of USD60.0 million (2017: USD60.0 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 repayment date was extended to 19 May 2018. Noteholder 1 and the Company further agreed the repayment date was extended to 30 June 2019. Pursuant to the terms of the Note 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 Note 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.

Other Investments and Business Development

Apart from the existing business at Ibam Mine and commodities trading business, the Company has been seeking opportunities to further diversify the scope of business.

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. For further details, please refer to the announcement of the Company dated 8 November 2017. Since no concrete agreement was achieved after several rounds of negotiations, the Company had decided not to proceed further on the negotiation.

The Group clearly understand the advantage of diversification and did not stop searching for new business opportunities. On 14 December 2018, a Company's indirect wholly-owned subsidiary, Best Sparkle, entered into the joint venture agreement with Affluent Oasis Sdn. Bhd., an independent entity established in Malaysia which was engaged in manufacturing of steel products, for establishing a joint venture company (the "JV Company"). The JV Company will be engaged in operating the direct reduced iron ("Direct Reduced Iron") plant ("Plant") which is situated in Mukim of Teluk Kalung, District of Kemaman, State of Terengganu, Malaysia. Pursuant to the joint venture agreement, our Group will subscribe for 33.3% issued shares of the JV Company at a consideration of US$50,000,000 which is to be satisfied by contributing 9.12% of the issued shares of Pacific Mining ("Partial Disposal"), an indirectly wholly-owned subsidiary of the Company, and the JV Partner will subscribe for 66.7% issued shares of the JV Company at a consideration of US$100,000,000, of which US$20,000,000 is to be satisfied by cash while US$80,000,000 is to be satisfied by contributing the ownership of certain buildings and machinery. The Partial Disposal did not result in a loss of control by the Group in Pacific Mining which remains as a subsidiary of the Group after the Partial Disposal. After the Partial Disposal, the Group's ownership interest in Pacific Mining has decreased from 100% to 90.88%. The effect of the Partial Disposal attributable to the shareholders of the Company was a gain on disposal of approximately USD48.3 million which was recorded as other reserve in the shareholders' equity. For further details, please refer to the announcement dated 14 December 2018.

CAPITAL STRUCTURE

The Group is currently funding its capital expenditure through internal funds generated from its operations, 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 equity shareholders of the Company and non-controlling interest.

The Group's gearing ratio as at 31 December 2018 was 47.5% (31 December 2017: 57.8%).

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 2018, 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 Group also exposes to currency risk in respect of its equity investments designated as at fair value through other comprehensive income which are denominated in a currency other than the relevant units' functional currencies.

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

	Increase/ (decrease) in exchange rate *%*	**Increase/ (decrease) in profit before tax** *USD'000*
2018		
If the US dollar weakens against RM	**5**	**0**
If the US dollar strengthens against RM	**(5)**	**0**
If the US dollar weakens against RMB	**5**	**463**
If the US dollar strengthens against RMB	**(5)**	**(463)**
2017		
If the US dollar weakens against RM	5	269
If the US dollar strengthens against RM	(5)	(269)
If the US dollar weakens against RMB	5	490
If the US dollar strengthens against RMB	(5)	(490)

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 and trade receivables pledged for bank and other loans as disclosed in note 17 to the Financial Statements of this announcement, the Group did not have any pledges on its assets as at 31 December 2018.

CONTRACTUAL OBLIGATIONS

As at 31 December 2018, the Group had no material contractual obligations to disclose (31 December 2017: nil).

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure was USD2,000 (31 December 2017: USD6,000) mainly for acquisition of computers.

RESOURCE AND RESERVES OF IBAM MINE UNDER JORC CODE AS AT 31 DECEMBER 2018

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as at 31 December 2018 ***(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 2018:

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 2018, the Group had 49 employees (2017: 46). For the year ended 31 December 2018, total staff cost including Directors' emolument amounted to approximately USD1.8 million (2017: USD2.1 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 2018, 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 2018 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 2018.

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 2018.

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 was duly approved by shareholders on 28 February 2018. For details, please refer to the circular dated 6 February 2018.

ROTATION OF DIRECTORS

In accordance with articles of the Company's articles of association, Mr. Li Yang, Mr. Wang Er and Dr. Wang Ling 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.

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 2018 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 2018. The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2018 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 2018. 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
"Best Sparkle"	Best Sparkle Development Ltd., a company incorporated in the BVI with limited liability on 25 August 2010, and which is wholly owned by Capture Advantage Co., Ltd., and an indirect wholly-owned subsidiary of our Company.
"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
"Pacific Mining"	Pacific Mining Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 31 August 2007, and which became a material non-wholly owned subsidiary of Best Sparkle, an indirect wholly-owned subsidiary of our Company, after the execution of joint venture agreement of 14 December 2018.
"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
"RMB"	Renminbi, the lawful currency of the People's Republic of China

"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 2019

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