CAA Resources Limited
優庫資源有限公司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 02112)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- The Group's revenue reached approximately USD1,055.2 million, representing 27.1% lower than USD1,447.0 million recorded in the year of 2018.
- The sales volume of iron ore products, on dry basis, for 2019 was approximately 1,708 Kt, representing 73.7% lower than 6,501 Kt recorded in 2018.
- The Group's gross profit reached approximately USD11.6 million, approximately 37.0% lower than the approximately USD18.4 million recorded in year of 2018.
- The Group recorded loss of USD26.3 million for the year ended 31 December 2019 as compared to profit of 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 2019 (2018: nil).
- Basic loss per Share for the year ended 31 December 2019 was USD1.75 cents (2018: Earnings per Share was USD0.17 cents).

* *For identification only*

The Board is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 ("the year under review") together with the comparative figures for the year ended 31 December 2018 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2019

	Notes	**2019** **USD'000** *(unaudited)*	2018 *USD'000* *(audited)*
Revenue	4	**1,055,164**	1,447,008
Cost of sales		**(1,043,598)**	(1,428,623)
Gross profit		**11,566**	18,385
Other income and gains		**1,762**	1,862
Selling and distribution expenses		**(778)**	(267)
Administrative expenses		**(4,905)**	(5,672)
Impairment loss on trade and other receivables		**(15,551)**	—
Other expenses		**(127)**	(983)
Finance costs	5	**(18,286)**	(10,057)
Share of loss of an associate		**—**	(1)
(Loss)/Profit before tax	6	**(26,319)**	3,267
Income tax expense	7	**—**	(733)
(Loss)/Profit for the year		**(26,319)**	2,534
Other comprehensive income/(loss)			
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**79**	(371)
		79	(371)

	Notes	**2019**	2018
		USD'000	*USD'000*
		(unaudited)	*(audited)*
Other comprehensive 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		**(1,153)**	(8,541)
Income tax effect		**—**	1,452
		(1,153)	(7,089)
Other comprehensive loss for the year, net of tax		**(1,074)**	(7,460)
Total comprehensive loss for the year		**(27,393)**	(4,926)
(Loss)/Profit for the year attributable to:			
Equity shareholders of the Company		**(26,319)**	2,534
Non-controlling interests		**—**	—
		(26,319)	2,534
Total comprehensive loss for the year attributable to:			
Equity shareholders of the Company		**(27,393)**	(4,926)
Non-controlling interests		**—**	—
		(27,393)	(4,926)
(Loss)/earnings per share attributable to ordinary equity shareholders of the Company:			
Basic and diluted (U.S. cents)	8	**(1.75)**	0.17

The Directors of the Company do not recommend the payment of final dividend for the year ended 31 December 2019.

Consolidated Statement of Financial Position

31 December 2019

	Notes	**2019**	2018
		USD'000	*USD'000*
		(unaudited)	*(audited)*
Non-current assets			
Property, plant and equipment	9	**2,520**	3,352
Mining rights and reserves	9	**12,772**	12,680
Right of use assets		**237**	—
Investment in an associate	11	**49,999**	49,999
Financial assets at fair value through other comprehensive income	12	**14,114**	15,267
Goodwill		**6,718**	6,649
Deferred tax assets		**13**	13
Total non-current assets		**86,373**	87,960
Current assets			
Trade receivables	13	**215,554**	205,093
Prepayments, deposits and other receivables	14	**8,641**	9,381
Cash and cash equivalents		**100**	183
Total current assets		**224,295**	214,657
Current liabilities			
Trade payables	15	**10,292**	1,953
Other payables and accruals	16	**72,409**	62,384
Lease liability		**93**	—
Interest-bearing bank and other borrowings	17	**54,683**	40,953
Notes and bond	18	**38,393**	37,287
Tax payable		**3,513**	3,910
Total current liabilities		**179,383**	146,487
NET CURRENT ASSETS		**44,912**	68,170
Total assets less current liabilities		**131,285**	156,130

	Notes	**2019**	2018
		USD'000	*USD'000*
		(unaudited)	*(audited)*
Non-current liabilities			
Notes and bond	18	**2,560**	—
Lease liability		**173**	—
Deferred tax liabilities		**2,943**	2,910
Provision for rehabilitation		**439**	409
Total non-current liabilities		**6,115**	3,319
Net assets		**125,170**	152,811
Equity			
Issued capital	19	**1,934**	1,934
Reserves		**121,509**	149,164
Equity attributable to equity shareholders of the Company		**123,443**	151,098
Non-controlling interest		**1,727**	1,713
Total equity		**125,170**	152,811

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 in Hong Kong is located at Unit 2413A, 24/F., Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong.

During the year ended 31 December 2019, 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	RM10,000	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	RMB5,000,000	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

The consolidated financial statements for the year have been prepared on a going concern basis, the validity of which depends upon, among others, the success of the Group in generating sufficient cash flows from its operations and the outcome of the legal proceedings as disclosed in the announcements dated 20 January 2020 and 14 February 2020. 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 2019. 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 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

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

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

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.

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.

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.

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 2019

	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	11,533	—	1,043,631	—	1,055,164
SEGMENT RESULTS	86	—	(26,108)	1,609	(24,413)
Reconciliation:					
Interest income on bank deposits					1
Foreign currency gain, net					100
Corporate and other unallocated expenses					(2,007)
Loss before tax					(26,319)
SEGMENT ASSETS	22,977	49,999	214,776	20,348	308,100
Reconciliation:					
Cash and cash equivalents					100
Deferred tax assets					13
Corporate and other unallocated assets					2,455
Total assets					310,668
SEGMENT LIABILITIES	1,783	—	176,824	—	178,607
Reconciliation:					
Tax payable					3,513
Deferred tax liabilities					2,943
Corporate and other unallocated liabilities					435
Total liabilities					185,498
OTHER SEGMENT INFORMATION					
Interest income	—	—	1	1,609	1,610
Finance costs	(31)	—	(18,255)	—	(18,286)
Depreciation and amortisation	(795)	—	—	—	(795)
Depreciation of right of use assets	—	—	(223)	—	(223)
Impairment loss on trade and other receivables	—	—	(15,551)	—	(15,551)
Share of loss of an associate	—	—	—	—	—
Investment in an associate	—	49,999	—	—	49,999

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

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.

	2019	2018
	USD'000	*USD'000*
Domestic — Malaysia	**49,703**	1,553
Overseas — Singapore	**35,221**	—
Overseas — South Korea	**—**	177,551
Overseas — The PRC	**970,240**	1,267,904
	1,055,164	1,447,008

As at 31 December 2019, except for certain office furniture and motor vehicles located in Hong Kong and Mainland China with the respective net carrying amounts of USD9,000 (2018: USD13,000) and USD50,000 (2018: USD151,000), 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:

	2019	2018
	USD'000	*USD'000*
Customer A	**492,897**	413,219
Customer B	**322,216**	385,904
Customer C	*	224,405
Customer D	*	143,196

* 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:

	2019	2018
	USD'000	*USD'000*
Disaggregation of revenue		
Iron ore products, crude oil and other commodities — commercial trade	**1,043,631**	1,445,455
Iron ore products — iron ore mining and processing operation	**11,533**	1,553
	1,055,164	1,447,008

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	USD'000	*USD'000*
Interest on bank and other loans	**12,719**	4,120
Interest on notes	**5,472**	5,907
Interest on lease liability	**65**	—
Interest on hire purchase arrangements	**—**	1
Unwinding of discount on provision	**30**	29
	18,286	10,057

6. (LOSS)/PROFIT BEFORE TAX

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

	2019	2018
	USD'000	*USD'000*
Cost of inventories recognised as expense	**1,042,856**	1,428,437
Allowance for doubtful debts	**15,551**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**1,567**	1,559
Pension scheme contributions — Defined contribution schemes	**91**	76
Welfare and other benefits	**125**	156
Total employee benefit expense	**1,783**	1,791
Depreciation	**858**	896
Depreciation of Right of Use assets	**223**	—
Amortisation of intangible assets	**45**	23
Depreciation and amortisation expenses	**1,126**	919
Expenses relating to short term lease	**301**	—
Operating lease payments — minimum lease payments in respect of:		
Motor vehicles	**—**	113
Office	**—**	226
Expenses relating to short term lease	**—**	339
Auditor's remuneration		
— Audit services		
current year	**233**	232
— Other services	**—**	13
	233	245
Write-off of other receivable***	**—**	314
Interest income**	**(1,610)**	(1,862)
Net foreign currency losses/(gains)*	**(100)**	326

* The net amount of foreign currency gains of USD100,000 for the year ended 31 December 2019 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 2019. The net amount of foreign currency losses of USD326,000 is included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

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

Hong Kong profits tax has been provided for the year ended 31 December 2019 at the rate of 8.5% (2018: 8.5%) of the first HK$2,000,000 and 16.5% (2018: 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:

	2019	2018
	USD'000	*USD'000*
Current tax — Hong Kong		
Provision for the year	**—**	969
Overprovision in respect of prior year	**—**	(229)
	—	740
Deferred tax	**—**	(7)
Total tax charge for the year	**—**	733

A reconciliation of income tax expense applicable to (loss)/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:

	2019	2018
	USD'000	*USD'000*
(Loss)/Profit before tax	**(26,319)**	3,267
Add: Share of loss of an associate	**—**	1
	(26,319)	3,268
Tax at Hong Kong statutory tax rate of 16.5% (2018: 16.5%)	**(4,378)**	695
Tax at Malaysia statutory tax rate of 24% (2018: 24%)	**51**	(226)
Benefit of tax losses not recognised	**—**	269
Tax effect of utilisation of tax losses not previously recognised	**(62)**	(7)
Tax effect of income not subject to tax	**664**	(839)
Tax effect of expenses not deductible for tax	**3,746**	1,091
Overprovision in prior year	**—**	(229)
Others	**(21)**	(21)
Tax charge at the Group's effective tax rate	**—**	733

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 1,500,000,000 (2018: 1,500,000,000) in issue during the year.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. PROPERTY, PLANT AND EQUIPMENT, AND MINING RIGHTS AND RESERVES

Movement in property, plant and equipment, and mining rights and reserves during the financial year are as follows:

	Property, plant and equipment *USD'000*	Mining rights and reserves *USD'000*
Carrying amounts at 1 January 2019	3,352	12,680
Additions	1	—
Depreciation/amortisation charged for the year *(note 6)*	(858)	(45)
Exchange realignment	25	137
Carrying amounts at 31 December 2019	2,520	12,772

As at 31 December 2019, the gross carrying amount of fully depreciated assets that were still in use totalled USD1,657,000 (31 December 2018: USD1,555,000).

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	
		31/12/2019	31/12/2018	**31/12/2019**	31/12/2018	**31/12/2019**	31/12/2018
				USD'000	*USD'000*	**USD'000**	*USD'000*
Pacific Mining Resources Sdn. Bhd. ("Pacific Mining")	Malaysia	**9.12%**	9.12%	**—**	—	**1,727**	1,713

In the previous financial 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. 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

	31/12/2019	31/12/2018
	USD'000	*USD'000*
Unquoted shares at cost	**49,999**	49,999

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. Particulars of the associate at the end of the reporting period are as follows:

Name of associate	**Place of incorporation and principal place of business**	**Proportion of ownership interest held by the Group**	
		31/12/2019	31/12/2018
Pembinaan Sponge Iron Sdn. Bhd. ("JV Company")	Malaysia	**33.33%**	33.33%

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

	2019	2018
	USD'000	*USD'000*
Unlisted equity investments, at fair value	**14,114**	15,267

The movements of the unlisted equity investments are as follows:

	2019	2018
	USD'000	*USD'000*
At 1 January	**15,267**	23,808
Total unrealized losses recognized in other comprehensive income	**(1,153)**	(8,541)
At 31 December	**14,114**	15,267

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:

	2019	2018
	USD'000	*USD'000*
Within 3 months	**44,980**	141,359
3 to 6 months	**111,406**	63,734
6 to 12 months	**74,101**	—
	230,487	205,093
Less: Allowance for impairment loss	**(14,933)**	—
	215,554	205,093

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

An aged analysis of the trade receivables (net of impairment) is as follows:

	2019	2018
	USD'000	*USD'000*
Neither past due nor impaired	**133,901**	205,093
Less than 1 month past due	**4,454**	—
Past due more than 1 month but less than 3 months	**48,957**	—
Past due more than 3 months	**28,242**	—
	215,554	205,093

As at 31 December 2019, trade receivables of USD36,532,000 (2018: USD205,081,000) were pledged to banks to secure bank loans (note 17(a)).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2019 *USD'000*	2018 *USD'000*
Other receivables in respect of:			
— interest-bearing loan to a company	(a)	**6,852**	8,790
Other prepayments, deposits and receivables		**2,407**	591
		9,259	9,381
Less: Allowance for impairment loss		**(618)**	—
		8,641	9,381

Notes:

(a) The balance represents a loan with a principal of USD6,518,000 granted to Shenzhen Wanyuntong Real Estate Development Company Limited (31 December 2018: USD8,500,000) together with the interest receivable thereon. The details of the loan are set out in the announcement dated 24 December 2015.

15. TRADE PAYABLES

Trade payables are non-interest-bearing and are normally settled within 1-4 months or longer (2018: 1 month).

16. OTHER PAYABLES AND ACCRUALS

	2019 *USD'000*	2018 *USD'000*
Due to the ultimate holding company	**60,000**	60,000
Other payables and accruals	**12,409**	2,384
	72,409	62,384

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

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019	2018
	USD'000	*USD'000*
Current		
Bank loans — secured	**36,532**	40,946
Hire purchase arrangements — secured	**1**	7
Other loan — unsecured	**18,150**	—
	54,683	40,953

The repayment schedule above refers to the initial repayment schedule which have or might have become immediately repayable due to the triggering of cross-default by virtue of, among others, creditor/bondholder's purported claims against the Company and/or Mr. Li Yang (as guarantor), details of which are set out in the announcements dated 20 January 2020 and 14 February 2020 respectively.

18. NOTES AND BOND

	2019	2018
	USD'000	*USD'000*
Current:		
Note 1 — redemption date falling due within one year	**20,393**	19,358
Note 2 — redemption date falling due within one year	**18,000**	17,929
	38,393	37,287
Non-current:		
Bond — redemption date falling due after one year	**2,560**	—
Total	**40,953**	37,287

The repayment schedule above refers to the initial repayment schedule which have or might have become immediately repayable due to the triggering of cross-default by virtue of, among others, creditor/bondholder's purported claims against the Company and/or Mr. Li Yang (as guarantor), details of which are set out in the announcements dated 20 January 2020 and 14 February 2020 respectively.

19. SHARE CAPITAL

Shares

	2019	2018
	USD'000	*USD'000*
Authorised:		
3,000,000,000 (2018: 3,000,000,000) ordinary shares of HK$0.01 each	**3,867**	3,867
Issued and fully paid:		
1,500,000,000 (2018: 1,500,000,000) ordinary shares of HK$0.01 each	**1,934**	1,934

20. EVENTS AFTER THE REPORTING PERIOD

There were claims and/or purported claims against the Company and Mr. Li Yang. Please refer to the announcements dated 20 January 2020 and 14 February 2020 for further details.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS DEVELOPMENT

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

In order to develop the Group's revenue source, the proportion of crude oil trade increased significantly during the year. In addition, the crude oil trade became the largest source of revenue during the year due to the relatively higher volume of trade and higher value of each shipment. During the financial year, iron ore prices surged by nearly 140% due to unexpected factors such as a dam breakage at the geographical location of a major supplier of iron ore, Vale, a hurricane in Australia and a BHP Billiton train derailment accident. But the iron ore prices quickly fell back subsequent to the resume of operation by the major supplier of iron ore. In view of the above reasons, the Group did not consider it advisable to fully resume operations at the Ibam mine without the support of adequate market demand. As a result, only limited production activities were carried out during the year, and the recorded mining volume and production volume were 816.6 Kt and 196.4 Kt respectively (2018: 124.6 Kt and 30.2 Kt respectively).

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

MARKET REVIEW AND OUTLOOK

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

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

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

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

BUSINESS & OPERATIONS REVIEW

Project Ibam operation update

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

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

As at 31 December 2019, the Group owned 5 beneficiation lines and 2 crushing lines. During the Period under Review, the Group focused on commodities trading and only limited mining and production activities were carried out. The annual mining volume and production volume were 816.6 Kt and 196.4 Kt respectively (2018: 124.6 Kt and 30.2 Kt respectively).

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

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change
Mining Volume	**816.6 Kt**	124.6 Kt	+555.4%
Production Volume	**196.4 Kt**	30.2 Kt	+550.3%

Operating Results

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

In 2019, the Group recorded revenue of USD1,055.2 million (2018: USD1,447.0 million), representing a decrease of USD391.8 million or 27.1% compared with the same period of the previous year. The sales volume of iron ore products decreased by 73.7% to approximately 1,708 Kt on dry basis (2018: approximately 6,501 Kt). The products sold had an average iron ore grade of 62.0% (2018: 62.0%). During the year, the average selling price of the Group's iron ore products on dry basis was USD96.1per tonne (2018: USD70.8 per tonne). Crude oil sales amounted to 7,112,000 barrels, up 30.3% from the 5,458,000 barrels recorded in 2018. Due to intense price competition, the Group's gross margin as a whole decreased to 1.1% (2018: 1.3%).

Profitability and Impairment Loss on Trade and Other Receivables

Profitability for the year decreased by 1152.0%, recording at a loss for the year of USD26.3 million (2018: profit of USD2.5 million), with loss per share of 1.75 US cents (2018: earnings per share of 0.17 US cents). The decreased in profitability was mainly due to the impairment loss recognized on trade and other receivables during the year ended 31 December 2019 in the sum of approximately USD15.6 million as a result of PRC customers' financial difficulties under the challenging economic environment which is due to, among others, the impact of coronavirus. There was also increase in finance costs of the Group.

The Sales analysis for the Group is as follows:

	For the year ended 31 December 2019	For the year ended 31 December 2018	Change
Sales Revenue	**USD1,055,164,000**	USD1,447,008,000	-27.1%
— Iron Ore	**USD164,057,000**	USD460,434,000	-64.4%
— Other Commodities	**USD891,107,000**	USD986,574,000	-9.7%
Sales Volume (dry basis)			
— Iron Ore	**1,708,000 tonnes**	6,501,000 tonnes	+73.7%
— Other Commodities	**922,000 tonnes**	387,000 tonnes	+138.2%
— Petroleum products	**7,112,000 barrels**	5,458,000 barrels	+30.3%
Gross Profit	**USD11,567,000**	USD18,385,000	-37.1%
Gross Profit margin	**1.10%**	1.27%	-0.17 percentage points

FINANCIAL REVIEW

PROFIT AND OTHER COMPREHENSIVE INOCME

Revenue

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

Cost of sales

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

Gross profit

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

Administrative expenses

During the year ended 31 December 2019, the Group's administrative expenses reached approximately USD4.9 million, about 14.0% lower than approximately USD5.7 million recorded in 2018. The decrease was mainly due to decrease in travel expenses, professional expenses, depreciation and miscellaneous expenses.

Other expenses

During the year ended 31 December 2019, the Group's other expenses reached approximately USD0.1 million, about 90% lower than approximately USD1.0 million recorded in 2018. The decrease in other expenses current year was mainly due to, included in other expenses were only unrealised loss on foreign exchange arising from the conversion of Ringgit Malaysia to United States Dollar and there was decrease in bank charges.

Finance costs

During the year ended 31 December 2019, the Group's finance costs reached approximately USD18.3 million, up 81.2% from the USD10.1 million recorded in 2018. The increase was mainly due to interest expense incurred on additional loan and existing outstanding bank loans and interest expense on senior notes. No notional interest expense incurred for shareholder loan from Cosmo Field (the Controlling Shareholder) during the year. Please refer to note 5 to the Notes to Financial Statements for further details.

Income tax expenses

The Group recorded nil income tax expense during the year, because it did not have any operating profit during the year (2018: USD0.7 million).

Loss for the year

The loss for the year ended 31 December 2019 was USD26.3 million (2018: profit of approximately USD2.5 million). Loss for the year was mainly due to the increase of expected credit loss arising from impairment of trade and other receivables, the decrease of gross profit of sales, and the increase of finance costs.

Total comprehensive loss for the year

Total comprehensive loss for the year ended 31 December 2019 was approximately USD27.4 million, approximately USD4.9 million for the year ended 31 December 2018. The total comprehensive loss in the year under review was mainly due to the fair value of approximately USD1.2 million (2018: USD7.1 million) of the equity investments measured at fair value through other comprehensive incomes, foreign exchange gains from overseas operations of approximately USD0.1 million (2018: USD0.4 million losses in 2018) and loss for the year ended 31 December 2019 of USD26.3 million (2018: profit of USD2.5 million).

LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2019 was approximately USD125.2 million (31 December 2018: USD152.8 million). The Group generally finances its operation with internally generated cash flow, interest-bearing bank and other borrowings, and interest-free and security-free shareholder loans from our Controlling Shareholder. Primary uses of funds during the year included payment of iron ore and other commodities purchased and operating expenses. As at 31 December 2019, current assets of approximately USD224.3 million primarily comprised USD215.6 million of trade receivables, USD8.6 million of prepayments, deposits and other receivables, and USD0.1 million of cash and cash equivalents. Current liabilities of approximately USD179.4 million mainly comprised USD10.3 million of trade payables, USD72.4 million of other payables and accruals, USD54.7 million of interest-bearing bank and other borrowings, USD41.0 million of notes and bond payable, USD0.1 million of lease liability, and USD3.5 million of tax payable. Current ratio, being total current assets to total current liabilities was 1.3 as at 31 December 2019 (2018: 1.5).

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

Cash and Cash Equivalents

Cash and cash equivalents of the Group in 2019 decreased by approximately USD0.1 million compared to 2018.

Detailed cash flow analysis is as follows:

	For the year ended 31 December	
	2019	2018
	USD'000	*USD'000*
Cash and cash equivalents in the consolidated statement of cash flows at beginning of year	**183**	2,085
Net cash (used in)/from operating activities	**(9,510)**	18,950
Net cash flows from investing activities	**1,274**	8,692
Net cash flows from/(used in) financing activities	**8,272**	(29,543)
Net increase/(decrease) in cash and cash equivalents	**36**	(1,901)
Effect of foreign exchange rate changes, net	**(119)**	(1)
Cash and cash equivalents at end of year	**100**	183

Net cash flows (used in)/from operating activities

The Group's net cash flows from operating activities changed from approximately USD19.0million inflow for the year ended 31 December 2018 to outflow of approximately USD9.5million for the year ended 31 December 2019. It consists primarily of a pre-tax loss of USD26.3 million and cash outflows mainly due to an increase of approximately USD25.4 million in trade receivables and a decrease of approximately USD8.3 million in trade payables, offset by a decrease of approximately USD0.4 million in prepayments, deposits and other receivables.

Net cash flows from investing activities

The Group's net cash flows from investing activities decrease by 85.1%, from inflow of approximately USD8.7 million for the year ended 31 December 2018 to inflow of approximately USD1.3 million for the year ended 31 December 2019. It mainly consists of interest collected of approximately USD1.3 million.

Net cash flows from/(used in) financing activities

The net cash flows from the Group's financing activities changed from an outflow of approximately USD29.5 million for the year ended 31 December 2018 to an inflow of approximately USD8.3 million for the year ended 31 December 2019. It consists mainly of USD13.7 million in new bank loans and USD2.6 million in bond issued during the year. The principal paid was reduced from USD3.9 million for the year ended 31 December 2018 to USD2.0 million for the year ended 31 December 2019. The interest paid was reduced from USD10.6 million for the year ended 31 December 2018 to USD5.7 million for the year ended 31 December 2019. As a result, there is a net cash flows from financing activities.

Trade receivables

The Group's trade receivables increased by 5.1% from approximately USD205.1 million as at 31 December 2018 to approximately USD215.6 million as at 31 December 2019, which was mainly due to the increase in trade receivables turnover days. Trade receivable turnover days were approximately 72 days (2018: 50 days).

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

As of 31 December 2019, the Group had made provision of impairment loss amounted to approximately USD14.9 million against overdue trade receivables in accordance with accounting standards, as reviewed by management.

Prepayments, deposits and other receivables

As at 31 December 2019, the Group's prepayments, deposits and other receivables amounted to approximately USD8.6 million (2018: approximately USD9.4 million). The decrease was mainly due to the provision of impairment loss amounted to approximately USD0.6 million for certain other receivables in accordance with accounting standards.

Trade payables

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

Other payables and accruals

The Group's other payables and accrued expenses were approximately USD72.4 million as at 31 December 2019, representing an increase of approximately 16.0% from approximately USD62.4 million as at 31 December 2018. The increase was mainly due to increase in interest payable on loans.

Net current assets position

The Group's net current assets decrease during the year, from net current assets of approximately USD68.2 million as at 31 December 2018 to net current assets of approximately USD44.9 million as at 31 December 2019. The decrease was mainly due to an increase of approximately USD1.1 million in notes as current liabilities, an increase of approximately USD13.7 million in interest-bearing bank loan and other borrowings, an increase of approximately USD8.3 million in trade payables and an increase of USD10.0 million in other payables and accrued expenses.

Borrowings

As at 31 December 2019, the Group's borrowings consisted mainly of:(i) a loan of approximately USD36.5 million due to a commercial bank; (ii) USD1,000 for car rental and purchase arrangements; (iii) a loan of approximately USD18.2 million; and (iv) notes and bond amounting to USD41.0 million which included the note with the principal of USD20.4 million and the note with the principal of USD18.0 million, and the bond with the principal of USD2.6 million.

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

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

LEGAL PROCEEDINGS

As disclosed in the announcements dated 20 January 2020 and 14 February 2020, there were claims and/or purported claims against the Company and Mr. Li Yang (as guarantor) with respect to loan default which might trigger cross-defaults of the other borrowings and loans of the Group. The Company is seeking legal advice and actively negotiating with creditors in this regard. Further details will be disclosed in the 2019 annual report in due course.

CAPITAL STRUCTURE

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

The Group's gearing ratio as at 31 December 2019 was 55.8% (31 December 2018: 47.5%).

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

FOREIGN CURRENCY RISK

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*
2019		
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	442
If the US dollar strengthens against RMB	(5)	(442)
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)

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.

CAPITAL EXPENDITURE

During the year, the Group's total capital expenditure was USD1,000 (31 December 2018: USD2,000) mainly for acquisition of computers.

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

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

Classification	Quantity (Mt)	Fe Grade (%)
Measured	108	46.7
Indicated	—	—
Inferred	42	46.4
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 2019:

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

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

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 2019 except for the deviation from CG Code provision A.2.1 in respect of the roles of chairman and Chief Executive Officer of the Company. 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 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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 2019 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 UNAUDITED ANNUAL RESULTS

The Audit Committee has together with the Board reviewed and approved the annual results for the year ended 31 December 2019.

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. Due to the transportation control implemented and the restrictions in resuming work as a result of the outbreak of COVID-19, the auditors have not been able to finish, all required works before the latest timeline for this announcement. It is expected that the figures, including trade payables, cost of sales and any such other areas which the auditors may deem necessary for further review and adjustments will be subject to further audit works of the auditors, and are thus subject to uncertainties. As such, the unaudited annual results contained in this announcement have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed by the Company's auditors.

PUBLICATION OF FURTHER ANNOUNCEMENT, THE FINAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the website of the Stock Exchange and the website of the Company. Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the accounting adjustment or material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary in a timely manner if there are other material development in the completion of the auditing process. The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors, and is subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

The uncertain timing of the current restrictions on travelling arrangements as well as the resumption of operation by the Group's customers and suppliers may have adverse impact on the timeline of the annual report of the financial results for the year ended 31 December 2019 as required under the Listing Rules. The Company will continue to closely monitor the situation and will make updated announcements at appropriate times.

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, 31 March 2020

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