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CAA Resources Limited 優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2112)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- The Group's revenue amounted to approximately USD47.1 million for the six months ended 30 June 2013 (the "Period") representing an increase of USD21.1 million or 81.2% as compared to approximately USD26.0million for the six months ended 30 June 2012.
- The Group's gross profit reached approximately USD27.9 million for the Period, about USD16.9 million or 153.6% higher than the approximately USD11.0 million recorded in the same period in 2012.
- The profit attributable to owners of the parent for the Period was approximately USD17.6 million, representing an increase of USD12.2 million or 225.9% as compared to approximately USD5.4 million for the six months ended 30 June 2012.
- The basic and diluted earnings per share attributable to ordinary equity holders of the Company amounted to approximately 1.57 US cents for the Period, representing an increase of 1.09 US cents or 227.1% as compared to approximately 0.48 US cent for the six months ended 30 June 2012.
- The Board does not recommend the payment of an interim dividend for the Period.

INTERIM RESULTS

The Board of Directors of CAA Resources Limited ("CAA Resources" or the "Company", and together with its subsidiaries, the "Group") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

I. FINANCIAL INFORMATION

Condensed Consolidated/Combined Statements of Comprehensive Income

For the six months ended 30 June 2013

	Notes	For the six months ended June 30	
		2013 USD' 000 (Unaudited)	2012 USD' 000 (Unaudited)
REVENUE			
Cost of sales	4	47,130 (19,199)	25,999 (15,040)
Gross profit		27,931	10,959
Other income		83	—
Selling and distribution expenses		(1,431)	(2,303)
Administrative expenses		(1,878)	(1,014)
Other expenses		(652)	(326)
Finance costs	6	(18)	(12)
Profit before tax	5	24,035	7,304
Income tax expense	7	(6,390)	(1,879)
Profit for the period		17,645	5,425
Other comprehensive income			
Exchange differences on translation of foreign operations		(801)	(285)
Other comprehensive income for the period		(801)	(285)
Total comprehensive income for the period, net of tax		16,844	5,140
Profit for the period attributable to:			
Owners of the parent		17,645	5,434
Non-controlling interests		—	(9)
		17,645	5,425
Total comprehensive income for the period attributable to:			
Owners of the parent		16,844	5,147
Non-controlling interests		—	(7)
		16,844	5,140
Earnings per share			
Basic earnings per share (US cent)	8	1.57	0.48
Diluted earnings per share (US cent)	8	1.57	0.48

I. FINANCIAL INFORMATION (CONTINUED)

Condensed Consolidated/Combined Statements of Financial Position

As at 30 June 2013

		As at	As at
		30 June 2013	31 December 2012
	Notes	USD' 000	USD' 000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		12,710	10,203
Other intangible assets		16,527	17,223
Deferred tax assets		580	396
Goodwill		8,526	8,838
		<hr/>	<hr/>
Total non-current assets		38,343	36,660
CURRENT ASSETS			
Inventories		2,103	1,282
Trade receivables	9	403	755
Prepayments, deposits and other receivables	10	24,566	1,838
Cash and cash equivalents		176	1,861
		<hr/>	<hr/>
Total current assets		27,248	5,736
		<hr/>	<hr/>
TOTAL ASSETS		65,591	42,396
NON-CURRENT LIABILITIES			
Provision		255	260
Deferred tax liabilities		3,953	4,125
Interest-bearing bank and other borrowings	11	710	387
Other liabilities		19	39
		<hr/>	<hr/>
Total non-current liabilities		4,937	4,811
CURRENT LIABILITIES			
Trade payables	12	1,172	1,818
Other payables and accruals		4,048	1,572
Interest-bearing bank and other borrowings	11	450	233
Tax payable		11,532	4,924
Due to related parties		—	2,430
		<hr/>	<hr/>
Total current liabilities		17,202	10,977
		<hr/>	<hr/>

I. FINANCIAL INFORMATION (CONTINUED)

Condensed Consolidated/Combined Statements of Financial Position

As at 30 June 2013

	As at 30 June 2013	As at 31 December 2012
Notes	USD' 000 (Unaudited)	USD' 000 (Audited)
NET CURRENT ASSETS/(LIABILITIES)	10,046	(5,241)
TOTAL ASSETS LESS CURRENT LIABILITIES	48,389	31,419
EQUITY		
Equity attributable to owners of the parent		
Issued capital	—	—
Reserves	43,452	26,608
	43,452	26,608
TOTAL EQUITY AND LIABILITIES	65,591	42,396

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 April 2012 under the Companies Law of the Cayman Islands.

The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company's subsidiaries were involved in iron ore exploration, mining, crushing, beneficiation as well as sale of iron ore products in the form of iron ore concentrates and iron ore fines.

2.1 BASIS OF PREPARATION AND CONSOLIDATION

Pursuant to the reorganisation of the Group, the Company became the holding company of the companies now comprising the Group on 7 April 2013 by way of share swaps with the existing shareholders of Capture Advantage Co., Ltd. The share swaps have no substance and do not form a business combination, and accordingly, for the purpose of this financial information, the unaudited interim condensed consolidated/combined financial statements of the Group has been prepared on the basis as if the Company had always been the holding company of the Group.

The unaudited interim condensed consolidated/combined statements of comprehensive income for the six months ended 30 June 2012 and 2013 of the Group have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2012 and 2013, or since the respective dates of incorporation or establishment of the respective companies now comprising the Group, where this is a shorter period. The unaudited interim condensed consolidated/combined statements of financial position of the Group as at 30 June 2012 and 30 June 2013 have been prepared as if the current group structure had been in existence at those dates and to present the assets and liabilities of the subsidiaries using the then carrying values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (the "IASB"). These financial statements are presented in United States dollars ("USD") and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated/combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's financial statements for the period from 23 August 2010 to 31 December 2010 and two years ended 31 December 2011 and 2012.

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of the unaudited interim condensed consolidated/combined financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited interim condensed consolidated/combined financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial statements for the year ended 31 December 2012.

3. SEGMENT INFORMATION

The Group has been operating in one segment, which is iron ore mining and processing in Malaysia. No further operating segment analysis is presented thereon.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Unaudited)
People's Republic of China	46,258	24,805
Malaysia	872	1,194
	<hr/>	<hr/>
	47,130	25,999
	<hr/>	<hr/>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Since all the non-current assets, other than deferred tax assets and financial instruments of the Group are located in Malaysia, no geographical information for non-current assets is presented.

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

3. SEGMENT INFORMATION (CONTINUED)

Information about major customers

For the period from 1 January to 30 June 2012, revenue generated from three of the Group's customers amounting to USD10,190,000, USD10,083,000, and USD4,532,000, respectively, had individually accounted for over 10% of the Group's total revenue.

For the period from 1 January to 30 June 2013, revenue generated from two of the Group's customers amounting to USD33,882,000 and USD6,925,000 respectively, had individually accounted for over 10% of the Group's total revenue.

4. REVENUE

Revenue represents the net invoiced value of goods sold, the values of service rendered, net of trade discounts and returns and various types of government surcharges, where applicable. There were no trade discounts or returns during the six months ended 30 June 2013.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Unaudited)
Sales of goods	46,258	24,805
Rendering of services	872	1,194
	<hr/>	<hr/>
	47,130	25,999
	<hr/>	<hr/>

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Unaudited)
Cost of inventories sold	18,331	13,850
Cost of service provided	868	1,190
Auditors' remuneration	277	152
Listing expenses	1,092	531
Employee benefit expense (excluding directors' remuneration)	337	359
Minimum lease payments in respect of:		
Land	38	49
Machine	104	65
Office	36	42
	178	156
Depreciation	623	465
Amortisation of other intangible assets*	59	13
(Gain)/loss on disposal of items of property, plant and equipment	(37)	103
Foreign currency losses	633	196

* The amortisation of other intangible assets is included in "Cost of sales" in the consolidated/combined statements of comprehensive income.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Unaudited)
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	5	10
Interest on bank loans	13	2
	18	12

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

7. INCOME TAX

Malaysia profits tax has been provided at the rate of 25% on the estimated assessable profits arising in Malaysia for the six months ended 30 June 2013 and 2012.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2013 and 2012.

The major components of income tax expense for the six months ended 30 June 2013 and 2012 are:

	For the six months ended 30 June	
	2013 USD' 000 (Unaudited)	2012 USD' 000 (Unaudited)
Current – Hong Kong	4,361	598
Current – Malaysia	2,248	1,271
Deferred	(219)	10
Total tax charge for the period	6,390	1,879

A reconciliation of income tax expense applicable to profit before taxation at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

For the six months ended 30 June 2013 (unaudited)

	Malaysia		Hong Kong		Total	
	USD' 000	%	USD' 000	%	USD' 000	%
Profit before tax	(1,304)		25,339		24,035	
Tax at the statutory tax rate	(326)	25.0	4,181	16.5	3,855	16.0
Effect of intra-group transactions in different jurisdictions	2,246	(172.2)	—	—	2,246	9.3
Tax losses cannot recognized	14	(1.1)	—	—	14	0.1
Expenses not deductible for tax	95	(7.3)	180	0.7	275	1.1
Tax charge at the Group's effective rate	2,029	(155.6)	4,361	17.2	6,390	26.6

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

7. INCOME TAX (CONTINUED)

For the six months ended 30 June 2012 (unaudited)

	Malaysia		Hong Kong		Total	
	USD' 000	%	USD' 000	%	USD' 000	%
Profit before tax	3,680		3,624		7,304	
Tax at the statutory tax rate	919	25.0	598	16.5	1,517	20.8
Effect of intra-group transactions in different jurisdictions	309	8.4	—	—	309	4.2
Tax losses cannot recognized	8	0.2	—	—	8	0.1
Expenses not deductible for tax	45	1.2	—	—	45	0.6
Tax charge at the Group's effective rate	1,281	34.8	598	16.5	1,879	25.7

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity holders of the Company of USD17,645,000 (six months ended 30 June 2012: USD5,425,000) and the 1.125 billion ordinary shares (six months ended 30 June 2012: 1.125 billion) in issue and issuable, comprising 50,000 shares in issue as at 30 June 2013 and 1,124,950,000 shares to be issued pursuant to the Capitalization Issues as set out in note 15(a), as if the shares were outstanding throughout the Period.

Diluted earnings per share equals to basic earning per share as there was no dilutive potential share outstanding for the six months ended 30 June 2013 and 2012.

9. TRADE RECEIVABLES

The Group's trading terms with our customers are mainly on credit, except for new customers, where payment in advance is normally required. Ageing analysis of our trade receivables is as follows:

	30 June	31 December
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Audited)
Trade receivables		
– Within 3 months	403	755

As at 30 June 2013, trade receivables of USD0.4 million (31 December 2012: USD0.8 million) were neither past due nor impaired.

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2013 USD' 000 (Unaudited)	31 December 2012 USD' 000 (Audited)
Other receivables	22,717	647
Income tax receivable	6	11
Deposits and prepayments	1,843	1,180
	24,566	1,838

The Group is in the process of sourcing new mines available for sales with an independent third party, and certain downpayment has been made as part of the negotiation requirements. The downpayment is refundable unconditionally upon the request of the Company. As at the date of this interim financial information, since the Company had not identified any acquisition targets, full refund of such downpayment was demanded and received by the Company.

11. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2013 (Unaudited)			31 December 2012 (Audited)		
	Effective interest rate (%)	Maturity	USD' 000	Effective interest rate (%)	Maturity	USD' 000
Current						
Current portion of						
Long						
term bank loans – secured	4.92-7.54	2014	46	4.92-7.54	2013	38
Other borrowings – Secured	4.92-7.54	2014	404	4.92-7.54	2013	195
			450			233
Non-current						
Bank loans – Secured	4.92-7.54	2015-2019	97	4.92-7.54	2014-2017	99
Other borrowings – Secured	4.92-7.54	2015-2016	613	4.92-7.54	2014-2017	288
			710			387
			1,160			620

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

	30 June	31 December
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year	46	38
In the second year	44	38
In the third to fifth years, inclusive	51	61
Beyond five years	2	—
	143	137
Other borrowings repayable:		
Within one year	404	195
In the second year	385	160
In the third to fifth years, inclusive	228	128
	1,017	483
	1,160	620

Certain of the Group's bank loans are utilised to purchase vehicles and machinery and secured by the pledge of vehicle registration cards.

12. TRADE PAYABLES

The Group's trade payables amounted to USD1.2 million as at 30 June 2013 (31 December 2012: USD1.8 million). Our suppliers usually granted the Group a credit period of 60 days.

Ageing analysis of our trade payables as at 30 June 2013 and 31 December 2012 is as follows:

	30 June	31 December
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Audited)
Trade payables		
– Within 3 months	1,062	1,818
– Over 3 months but less than 6 months	110	—
	1,172	1,818

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

13. CONTINGENT LIABILITIES

A subsidiary of the Group stored diesel at Ibam Mine without a valid scheduled controlled item permit, which is an offence under section 21 of Control of Suppliers Act 1961 of Malaysia. If convicted, the subsidiary of the Group shall be liable to a fine not exceeding RM250,000 and for subsequent offence, to a fine not exceeding RM500,000.

The subsidiary of the Group has obtained the scheduled controlled item permit which is valid from 5 June 2012 to 4 June 2013 in respect of Ibam Mine and obtained the renewed permit on 12 June 2013 with validation period from 12 June 2013 to 11 June 2014. The Directors, based on the advice of the legal advisers to the Company as to Malaysian laws upon their enquiry made with the relevant authority, are of the opinion that the relevant authority will not normally proceed to prosecute or fine the subsidiary, and accordingly the Group has not provided for any claim arising from such potential prosecution or fine.

14. COMMITMENTS

The Group had the following commitments as at 30 June 2013 and 31 December 2012:

a. Capital commitment

The Group had the following capital commitments:

	30 June	31 December
	2013	2012
	USD' 000	USD' 000
	(Unaudited)	(Audited)
Authorised, but not contracted for	75,700	80,900

b. Other commitments – mining fee

The Group has agreed to pay a mining fee of RM40 to Gema Impak Sdn. Bhd. ("Gema Impak") (equivalent to approximately USD12.6) per tonne of iron ore products extracted from Ibam Mine and sold by Capture Advance Co., Ltd. ("Capture Advance") (pursuant to the Deed of Appointment).

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

14. COMMITMENTS (CONTINUED)

c. Other commitments – service fee

Pursuant to the Mining Sub-contract in relation to Ibam Mine entered into between the Group and the mining contractor, a third party, which is effective from 18 December 2010 and continues to be effective until the expiry of the Mining Lease or any renewal thereof, whichever is later unless otherwise determined by mutual consent of the parties to the Mining Sub-contract, the Mining Sub-contract provides that the mining contractor shall mine and produce a minimum of 100 thousand tonnes of clean iron ore per month and shall crush the iron ore to a specified size before delivery to the Group. The service fee for the mining contractor is calculated based on the (i) volume of iron ore extracted multiplied by a fixed rate of RM36 (equivalent to approximately USD11.32) per tonne; and (ii) volume of crushing works multiplied by a fixed rate of RM14 (equivalent to approximately USD4.40) per tonne. In the event that the Group provides the mining contractor with the necessary machinery or equipment for its works, the fixed rate of payment shall be reduced to RM25 (equivalent to approximately USD7.87) per tonne of iron ore extracted and RM10.2 (equivalent to approximately USD3.05) per tonne of crushing works.

d. Other commitments – monthly payable to Original Shareholders of Gema Impak

On 20 March 2013, Norhayati Binti Talib, Bazira Binti Bakar and Mohd Norhisham Bin Mohamed Hashim (the “Original Shareholders”) of Gema Impak and the Company’s subsidiary Pacific Mining Resources Sdn. Bhd. (“Pacific Mining”) have agreed to an arrangement (the “Protection Enhancement Arrangement”) which took effect from 20 March 2013, according to which Pacific Mining was entitled to exercise the voting rights in relation to matters related solely to Ibam Mine according to its own wish and shall not be bound to take instructions or take into account the views and interests of the Original Shareholders in exercising the voting rights.

The Original Shareholders shall make best endeavours in providing assistance and cooperation in respect of Gema Impak’s renewal of the Mining Lease and the relevant licences and dealing with governmental authority, which are related to Ibam Mine.

Pacific Mining paid a monthly payment, being RM50,000 in total per month (“Monthly Payment”), to the Original Shareholders since March 2013 until the expiry of the term of the Protection Enhancement Arrangement, which shall mirror the term of the Mining Agreement or any extension thereof. The amount of the Monthly Payment shall not be revised without consent from each of the Original Shareholders and Pacific Mining.

II. Notes to Unaudited Interim Condensed Consolidated/Combined Financial Statements

15. EVENTS AFTER THE PERIOD

(a) Capitalisation Issue

Pursuant to the resolutions of our Shareholders passed on 12 April 2013, subject to the share premium account of our Company being credited as a result of the issue of Hong Kong Offer Shares pursuant to the Global Offering, our Directors are authorised to allot and issue a total of 1,124,950,000 Share credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 12 April 2013 (or as they may direct) in proportion to their respective shareholders (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$11,249,500 standing to the credit of the shares premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

(b) Initial Public Offering

On 3 July 2013, 375,000,000 ordinary shares of par value HK\$0.01 each were issued at a price of HK\$1.30 per share under the Hong Kong Public Offer and the International Placing. The proceeds at HK\$3,750,000 (equivalent to USD480,769) representing the par value, were credited to the Company's share capital. The remaining proceeds of HK\$483,750,000 (equivalent to USD62,019,230) before issuing expenses were credited to the share premium account.

Except for those disclosed above, the management of the Group is of the opinion that there is no significant event occurring between the balance sheet date and the date when the financial statements are authorized for issuance.

16. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED/COMBINED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated/combined financial statements were approved and authorised by the board of directors on 30 August 2013.

Management Discussion and Analysis

The Group, a newly-established iron ore product supplier in Malaysia, is primarily engaged in iron ore exploration, mining, crushing and beneficiation, as well as the sale of iron ore products in the form of iron ore concentrates and iron ore fines. The Group sells its iron ore products primarily to steel manufacturers and/or their respective purchase agents in China.

Its primary business operations are at Project Ibam, which comprises a mine (the "Ibam Mine") at the Malaysian state of Pahang. The mine has combined measured and inferred mineral resource of 152 million tonnes, dominantly hematite, at an average grade of 46.5% total Fe. The Ibam Mine is an open-pit mine with expected mine life exceeding 27 years. The Ibam Mine's annual iron ore mining volume is expected to reach 5.01 million tonnes in 2013 and will further increase to 13.22 million tonnes in 2015.

Benefiting from the strong demand for iron ore products in the PRC, its low-cost open-pit operations and high-grade iron ore products, CAA Resources's capacity and profit are entering a phase of accelerated growth. According to the Group's three-phase expansion plan, it will build 12 additional crushing lines and 12 additional beneficiation lines by early 2015. By the end of 2013, 2014 and 2015, the annual beneficiation volume will increase to 1.2 million tonnes, 2.5 million tonnes and 3.18 million tonnes respectively, while the crushing volume will increase to 1.69 million tonnes, 3.49 million tonnes and 4.45 million tonnes respectively.

While focusing on the development of Project Ibam, the Group also intends to expand its ore reserves through acquisition of other mines in Malaysia which will present opportunities for the Group's expansion and long-term sustainable growth.

MARKET REVIEW

In the first half of 2013, the world economy continued to see signs of improvement. The Chinese GDP grew steadily at around 7.5% year-on-year and industrial production grew around 9% in the year to date, in keeping with the policy objective of growth stabilization and rebalancing under the new Chinese leadership.

Steel consumption in China, which accounts for almost half of global steel consumption, proved resilient in the first half of 2013. According to the World Steel Association, global crude steel production in the first half rose 2% year-on-year, largely led by higher Chinese output which reached 390 million tonnes, a year-on-year increase of 7.4%.

Backed by the restocking of raw materials among Chinese steel mills with low stock levels coming into 2013 to accommodate buoyant crude steel production, the first half saw a rally of iron ore demand from Chinese mills. The strengthening Chinese Yuan and dependence on imports for higher-grade iron ore fines also contributed to the rally in demand. In the first half of 2013, China imported 380 million tonnes of iron ore, an increase of 5.1% compared with the first half of 2012. On the supply side, lured by elevated iron ore prices in the first quarter, large mines increased production, most notably in Australia. Second-quarter iron ore production data from the leading producers showed healthy gains, rising from 7% to 40% year-on-year. Further, many small and medium-sized mines which were invested in around 2008 started shipping out iron ores, adding to ample supplies.

The prices of iron ore reached elevated levels in the first quarter before falling in the second quarter in 2013. In the first quarter, the high prices were supported, among others, by weather-related supply disruption in Australia and restocking at Chinese mills. However, weaker steel prices, arising from output spikes in February through April in China, triggered a pullback in iron ore purchasing throughout the second quarter. Prices in late May fell around 30% from the February peak and traded in the lower band through June and July, but still well above the lowest price recorded last year.

Management Discussion and Analysis

BUSINESS REVIEW

(1) Major operating results

In the first half of 2013, the Group achieved sales revenue of USD 47.1 million, up 81.2% over the same period last year. The higher sales revenue was mainly due to the rising demand of the Group's iron ore products from its PRC customers. In the first half of 2013, the Group sold 405,000 tonnes iron ore products on dry basis, with an average iron ore grades of 59.9%, as compared to 190,000 tonne iron ore products in the same period last year, representing an increase of 113.2%. The average selling price of iron ore products sold on dry basis was USD114.26 per tonne in the first half of 2013.

In the first half of 2013, the Group adhered to its high-margin and low-inventory business strategies. With growing demand for iron ore in China and a lower average cost of production as a result of economies of scale achieved in the Group's Ibam project during the first half of 2013, the Group's overall gross profit margin for the Period increased to 59.3% from 42.2% for the same period last year.

Benefiting from the higher sales volume, lower production costs and high inventory turnover, the Group's profit attributable to shareholders reached approximately USD17.6 million for the six months ended 30 June 2013, representing a significant year-on-year growth of 225.9% from USD 5.4 million recorded in the same period last year.

(2) Production capacity expansion

To capitalise on the rising demand for iron ore products in the PRC, the Group has devised a three-phased production expansion plan to gradually increase mining and production capacities in Project Ibam.

As at 30 June 2013, the Group owned and operated six beneficiation lines and two crushing lines. Among which, two beneficiation lines are in the course of relocation to the Ibam Mine and is expected to be completed in or around September 2013. The annual mining, crushing and beneficiation volume of Project Ibam as at 30 June 2013 was 2.40 million tonnes, 0.81 million tonnes and 0.58 million tonnes respectively. As at the date of this interim financial information, the Group is in the midst of installing the seventh and eighth beneficiation lines and the third crushing lines at Ibam Mine. There are three additional beneficiation lines and four additional crushing lines to be constructed in phase one expansion plan and which is scheduled to be completed in the second half of 2013.

During the Period, 138,000 tonnes of iron ore products were mined and extracted from the Ibam Mine. Some of the iron ore products of the Group were produced from Esperance Mine pursuant to the Cooperation Agreement. However, a termination agreement was entered into between the mining lease holder of the Esperance Mine and us on 10 April 2013 to terminate the Cooperation Agreement with immediate effect. The remaining iron ore products are produced from iron ores obtained from trading activities.

OUTLOOK AND PROSPECT

Looking into the second half of 2013, the Chinese government will continue to shift growth from export-driven to consumption-driven with an immediate focus on growth stabilization. The construction sector, which accounts for 70% of steel demand, is likely to fare well, underpinned by an incipient recovery in the housing market and a number of new starts in the pipeline. The outlook for the manufacturing sector, which accounts for the remaining 30% of Chinese steel consumption, remains subdued due to falling export orders and reduced investment. Overall, end-user steel demand may see some modest growth in the second half of 2013. The rally in the steel market starting in June 2013 has incentivized steel mills to replenish their iron ore stocks. With an inventory level of iron ore in port storage down to 76 million tonnes at the end of June 2013, there is much room for inventory buildup. However, a likely slowdown in Chinese steel output in the second half of 2013, may put a negative spin on the outlook for iron ore price. This arises from the ongoing consolidation in the industry, as well as the continued addition to supply from new mines around the world.

Management Discussion and Analysis

In the second half of 2013, the Group will continue to benefit first-hand from the growth of the Chinese economy. As part of its strategy to capitalize on the strong Chinese demand for iron ore products generated from China's continued urbanization and industrialization, the Group will continue to implement its three-phased expansion plan to build beneficiation and crushing facilities at the Ibam Mine, its principal mining asset, and to expand our Group's ore reserves by looking for acquisition opportunities of new mining assets throughout Malaysia. With the completion of the phase one expansion plan at the Ibam Mine in the second half of 2013, the Group will be better equipped to meet the demand for iron ores of superior grade from its Chinese clients. It is also expected to finalize the investment terms for constructing a dedicated berth at Kuantan Port by the end of this year. Going forward, the Group will continue to reinforce its positioning as an integrated one-stop producer of iron ore products, with businesses spanning, mining, crushing and beneficiation and easy access to and strong relationships with the Chinese market.

REVENUE AND COST OF GOODS SOLD

Revenue

During the six months ended 30 June 2013, the Group's revenue reached approximately USD47.1 million, about 81.2% higher than the USD26.0 million recorded in the same period in 2012. The increase in revenue was mainly due to higher sales volume of the Group's iron ore products which was mainly attributable to growing demand in the China iron ore market.

Cost of Sales

During the six months ended 30 June 2013, the Group's cost of sales reached approximately USD19.2 million, about 28.0% higher than the approximately USD15.0 million recorded in the same period in 2012. The cost of sales comprises ore production cost, service fee to mining contractor, mining fee and service fee to processing contractor. The Group recorded a lower unit cost from its shift from trading to selling of self-produced iron ore products. The unit cost of self-production is substantially lower than the unit cost of trade purchase.

The Group also undertook part of the crushing works after installing new crushing lines. Most of the crushing works were previously outsourced to contractors.

Finally, the mining capacity of the Ibam Mine has been enhanced to match the capacity of the crushing and beneficiation lines. This resulted in a lower unit production cost from better coordination in production planning and economies of scale in production.

Gross profit

During the six months ended 30 June 2013, the Group's gross profit reached approximately USD27.9 million, about 153.6% higher than the approximately USD11.0 million recorded in the same period in 2012. The increase was mainly due to the Group's shift in focus on the sale of self-produced iron ore products, which contributed to higher gross profit. At the same time, the gross profit ratio of iron ore produced from Ibam Mine also rose during the first half of 2013.

Management Discussion and Analysis

SELLING AND DISTRIBUTION EXPENSE

During the six months ended 30 June 2013, the Group's selling and distribution expenses reached approximately USD1.4 million, about 39.1% lower than the approximately USD2.3 million recorded in the same period in 2012. The decrease was mainly due to the fact that the majority of sales were concluded under FOB terms during the period, under which the Group was not responsible for freight costs. Other than the freight costs, the selling expense also included boarding expense, consulting fee and other miscellaneous expenses.

ADMINISTRATIVE EXPENSE

During the six months ended 30 June 2013, the Group's administrative expenses reached approximately USD1.9 million, about 90.0% higher than the approximately USD1.0 million in the same period in 2012. The increase was mainly due to higher staff costs, professional fees and listing expenses.

PROPERTY, PLANT AND EQUIPMENT ("PPE")

Our PPE mainly consisted of machinery, mines properties and vehicles. As at 30 June 2013, the Group's PPE reached approximately USD12.7 million, representing about 24.5% increase from USD10.2 million as at 31 December 2012. The increase was mainly due to the purchase and installation of two new beneficiation lines and one new crushing line during the first half of 2013 in accordance with our expansion plan.

OTHER INTANGIBLE ASSETS

As at 30 June 2013, the Group's other intangible assets amounted to approximately USD16.5 million, representing a 4.1% decrease from approximately USD17.2 million as at 31 December 2012. The decrease was mainly due to the amortization expenses and foreign exchange alignment recorded during the first half of 2013. Other intangible assets comprised the mining rights and reserves of Ibam Mine.

INVENTORIES

Our inventory included raw materials, work in progress and finished goods. As at 30 June 2013, the Group's inventories amounted to approximately USD2.1 million, about 61.5% higher than the approximately USD1.3 million as at 31 December 2012. The increase was mainly due to the Company's increased production capacity and accumulation of products to be delivered to our customers.

PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 June 2013, the Group's prepayments, deposits and other receivables amounted to approximately USD24.6 million (31 December 2012: approximately USD1.8 million). The increase was mainly due to the prepaid listing expenses in the preparation of the listing (the "Listing") of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which was completed on 3 July 2013 (the "Listing Date"). Finally, a downpayment was made to an independent third party as part of the negotiation requirements for sourcing new mines available for sale. The downpayment is refundable unconditionally upon the request of the Company. As at the date of this interim financial information, since the Company had not identified any acquisition targets, full refund of such downpayment was demanded and received by the Company.

OTHER PAYABLES AND ACCRUALS

As at 30 June 2013, the Group's other payables and accruals amounted to approximately USD4.0 million, about 150% higher than the approximately USD1.6 million as at 31 December 2012. The increase was mainly due to the accrued listing fee for the preparation of the Listing and an amount due to an independent third party which was repaid in full subsequently prior to the Listing.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES REVIEW

The total equity of the Company as at 30 June 2013 was approximately USD43.5 million (31 December 2012: USD26.6 million). The Group generally finances its operation with internally generated cash flow and interest-bearing loans and borrowings. Primary uses of funds during the Period included settlement of listing expenses, operating expenses, and purchase of property, plant and equipment. As at 30 June 2013, current assets of approximately USD27.2 million comprised USD2.1 million in inventory, USD25.0 million in trade and other receivables, and USD0.2 million in cash and cash equivalents. Current liabilities of approximately USD17.2 million mainly comprised USD5.2 million in trade and other payables, USD0.5 million in interest-bearing bank and other borrowing, USD11.5 million in tax payables. Current ratio, being total current assets to total current liabilities was 1.6 as at 30 June 2013 (31 December 2012: 0.52). Following the Listing of the Company on the Listing Date, and with the net proceeds received from the Listing, the Group's liquidity position will be further improved and it has sufficient financial resources to finance its expansion plan of Project Ibam and to meet its working capital requirements.

As at 30 June 2013, the Group had certain interest-bearing bank and other borrowings of USD1.2 million in total (31 December 2012: USD0.6 million). The bank borrowings were used to purchase vehicles and machinery and secured by the pledge of vehicle registration cards.

CAPITAL STRUCTURE

The Group's gearing ratio is calculated as total debts divided by total assets. Total debts included both current and non-current interest-bearing bank and other borrowings. As at 30 June 2013, the Group's gearing ratio was 1.8% (31 December 2012: 1.5%).

The Group conducted its continuing operational business transactions mainly in US dollars. The Group did not arrange any forward currency contracts for hedging purposes.

CAPITAL COMMITMENTS AND OTHER COMMITMENTS

Please refer to note 14 to the unaudited financial statements for details of the Group's capital commitments and other commitments,

CONTINGENT LIABILITIES

Please refer to note 13 to the unaudited financial statement for details of the Group's contingent liabilities.

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 cash equivalents. The Group had no significant interest rate exposure arising from all of its interest-bearing loans since the amount was immaterial. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

CHARGE ON ASSETS

Save for the vehicle registrations cards pledged for bank loans as disclosed in note 11 to the unaudited condensed consolidated financial statements, the Group did not have any pledges on its assets as at 30 June 2013.

EMPLOYEES AND REMUNERATION POLICIES

The Group values its human resources and recognizes the importance of attracting and retaining qualified staff for its continuing success. As at 30 June 2013, the Group had 52 employees (30 June 2012: 30). For the six months ended 30 June 2013, total staff cost including directors' emolument amounted to approximately USD0.4 million (six months ended 30 June 2012: USD0.4 million).

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

Other Information

INFORMATION ON IBAM MINE

Mineral resources for ore with iron grade greater than or equal to 35% as at 30 June 2013

Classification	Quantity (million tonnes)	Fe Grade (%)
Measured	110	46.7
Indicated	—	—
Inferred	42	46.4
Total	152	46.5

Ore reserves for ore with iron grade greater than or equal to 35% as at 30 June 2013

Classification	Quantity (million tonnes)	Fe Grade (%)
Probable	104	44.7
Total	104	44.7

Source: Ibam Updated Resource and Reserves as at 30 June 2013 by Geos Mining Minerals Consultants, Australia.

EXPLORATION, DEVELOPMENT AND MINING PRODUCTION ACTIVITIES

During the six months ended 30 June 2013, no exploration activities were carried out. As part of the Group's expansion plan, a total of two new beneficiation lines and one new crushing line were purchased during the first half of 2013, which amounted to approximately USD4.3 million. The mining volume and production volume of iron ore products produced from Ibam Mine during the six months ended 30 June 2013 are respectively 272,000 tonnes and 138,000 tonnes (2012: 252,000 tonnes and 128,000 tonnes).

CAPITAL EXPENDITURE

During the six months ended 30 June 2013, the Company incurred a total of USD4.3 million of capital expenditure primarily for the purchase or upgrade of property, plant and equipment.

INITIAL PUBLIC OFFERING AND USE OF PROCEEDS

Pursuant to the Global Offering, the Company issued 375,000,000 ordinary new shares of HK\$0.01 each at a subscription price of HK\$1.30 per share. The Company's shares including these newly issued shares were listed on the Main Board of the Stock Exchange on the Listing Date. Net proceeds received by the Company amounted to approximately HK\$438 million, which are intended to be applied in accordance with the disclosure set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 20 June 2013.

INTERIM DIVIDEND

The Board of Directors does not recommend the payment of any interim dividend for the Period.

Other Information

Purchase, sale or redemption of the company's listed securities

Subsequent to the Listing Date and up to the date of this interim financial information, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company is committed to the establishment of good corporate governance practices and procedures. The Company has complied with the code provisions as set out in Corporate Governance Code and Corporate Governance Report to the Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange (the "CG Code") during the six months ended 30 June 2013 except the code provision A.2.1 of the CG Code as disclosed below:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Li Yang has been both the chairman of the Board (the "Chairman") and the chief executive officer of the Company (the "Chief Executive Officer"), therefore, the Group does not at present separate the roles of the Chairman and the Chief Executive Officer.

The Board considered 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. The Board believed 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 allow for more effective and efficient overall strategic planning of the Group.

Model Code for Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific queries to the Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date to the date of this interim financial information.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Company has also complied with Rule 3.10(1) and 3.10(2) of the Listing Rules that three independent non-executive Directors including one with financial management expertise have been appointed. The primary duties of the Audit Committee are to review the financial reporting process and internal control system of the Group, and to make proposals to the Board as to the appointment, renewal and resignation 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, including the review of the unaudited interim results for the six months ended 30 June 2013.

Other Information

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") adopted by the Shareholders by way of written resolution was passed on 12 April 2013 for the purpose of attracting and retaining the best available personnel; providing additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group; and to promoting the success of the business of our Group. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

There is no option outstanding, granted, exercised, cancelled and lapsed during the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The 2013 Interim Report will be despatched to shareholders as well as made available on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.caa-resources.com>. The 2013 interim financial information set out above does not constitute the Group's statutory financial statements for the six months ended 30 June 2013 and is extracted from the financial statements for the six months ended 30 June 2013 to be included in the 2013 Interim Report.

By order of the Board

CAA Resources Limited

Li Yang

Chairman and Chief Executive Officer

Hong Kong, 30 August 2013

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

* *For identification only*