CAA Resources Limited
優庫資源有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 02112)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

- The Group's revenue reached approximately USD110.4 million, representing 103.2% higher than that of USD54.3 million recorded in the year of 2012.
- The sales volume, on dry basis, for the year under review was approximately 1,053 Kt, representing 145.5% higher than 429 Kt recorded in 2012.
- The Group's gross profit reached approximately USD41.1 million, about 86.2% higher than the approximately USD22.1 million recorded in year of 2012.
- Profit for the year ended 31 December 2013 increased by 89.8%, from approximately USD10.4 million for the year ended 31 December 2012 to approximately USD19.7 million for the year ended 31 December 2013.
- The Directors of the Company proposed a final dividend of HK5.1 cents per Share for the year ended 31 December 2013, representing a payout ratio of approximately 50%.
- Basic earnings per Share for the year ended 31 December 2013 was US1.51 cents.

* *For identification only*

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2013

	Notes	**2013** **USD'000**	2012 USD'000
REVENUE	3	**110,372**	54,323
Cost of sales		**(69,263)**	(32,247)
Gross profit		**41,109**	22,076
Other income and gain		**52**	4
Selling and distribution expenses		**(8,500)**	(4,641)
Administrative expenses		**(6,052)**	(2,862)
Other expenses		**(1,314)**	(169)
Finance costs	4	**(91)**	(51)
PROFIT BEFORE TAX	5	**25,204**	14,357
Income tax expense	6	**(5,459)**	(3,953)
PROFIT FOR THE YEAR		**19,745**	10,404
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,532)**	858
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**18,213**	11,262
Profit attributable to:			
Owners of the Company		**19,745**	10,419
Non-controlling interests		**—**	(15)
		19,745	10,404
Total comprehensive income attributable to:			
Owners of the Company		**18,213**	11,279
Non-controlling interests		**—**	(17)
		18,213	11,262
Earnings per share attributable to ordinary equity holders of the Company:			
Basic and diluted (US cent)	7	**1.51**	0.93

Details of the dividends proposed for the year ended 31 December 2013 are disclosed in note 15 to the financial statements.

Consolidated Statement of Financial Position

31 December 2013

	Notes	**2013** USD'000	2012 USD'000
NON-CURRENT ASSETS			
Property, plant and equipment		**26,896**	10,203
Mining rights and reserves		**16,000**	17,223
Payments in advance		**16,713**	—
Goodwill		**8,271**	8,838
Deferred tax assets		**341**	396
Total non-current assets		**68,221**	36,660
CURRENT ASSETS			
Inventories		**5,583**	1,282
Trade receivables	8	**12,386**	755
Prepayments, deposits and other receivables	9	**9,033**	1,838
Pledged deposits		**989**	—
Cash and cash equivalents		**30,748**	1,861
Total current assets		**58,739**	5,736
CURRENT LIABILITIES			
Trade payables	10	**2,654**	1,818
Other payables and accruals	11	**1,194**	1,572
Interest-bearing bank and other borrowings	12	**3,793**	233
Due to related parties		**—**	2,430
Tax payable		**10,367**	4,924
Total current liabilities		**18,008**	10,977
NET CURRENT ASSETS/(LIABILITIES)		**40,731**	(5,241)
Total assets less current liabilities		**108,952**	31,419

	Notes	**2013** **USD'000**	2012 USD'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	12	**692**	387
Deferred tax liabilities		**3,825**	4,125
Provision for rehabilitation		**281**	260
Other payables		**—**	39
Total non-current liabilities		**4,798**	4,811
Net assets		**104,154**	26,608
EQUITY			
Equity attributable to owners of the Company			
Issued capital	13	**1,934**	—
Reserves	14	**92,362**	26,608
Proposed final dividend	15	**9,858**	—
Total equity		**104,154**	26,608

1. CORPORATE INFORMATION

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

During the year ended 31 December 2013, the Company and its subsidiaries were principally engaged in the business of mining, ore processing, and exporting of iron ore products and the sale of those products to steel manufacturers and/or their respective purchase agents in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

Pursuant to the reorganisation of the Group (the "Reorganisation") in preparation for the Listing on the Stock Exchange, which was completed on 7 April 2013, the Company became the holding company of the companies comprising the Group by way of share swaps with the existing shareholders of Capture Advantage Co., Ltd. ("Capture Advantage"). The share swaps have no substance and do not form a business combination, and accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group. Details of the Reorganisation were set out in the prospectus issued by the Company on 20 June 2013. The Company's Shares have been listed on the Main Board of the Stock Exchange since 3 July 2013.

In the opinion of the Directors of the Company, the holding company and the ultimate holding company of the Company is Cosmo Field, which is incorporated in the BVI.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by International Accounting Standards Board (the "IASB") and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in USD and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2013. 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, expense 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	Amendments to IFRS 10, IFRS 11 and IFRS 12 – *Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of IFRSs issued in May 2012

Other than as further explained below regarding the impact of IFRIC 20, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting IFRIC 20 are as follows:

IFRIC 20 addresses the recognition of waste removal costs that are incurred in surface mining activity during the production phase of a mine as an asset, as well as the initial measurement and subsequent measurement of the stripping activity asset. To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the costs incurred are accounted for in accordance with IAS 2 *Inventories*. To the extent that the benefit is improved access to ore and when criteria set out in the interpretation are met, the waste removal costs are recognised as a stripping activity asset under non-current assets. While the adoption of IFRIC 20 resulted in a change of accounting policy, it had no impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

IFRS 9	*Financial Instruments*[3]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39* [3]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) – *Investment entities*[1]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
Annual Improvements 2010-2012 Cycle	Amendments to a number of IFRSs[4]
Annual Improvements 2011-2013 Cycle	Amendments to a number of IFRSs[2]
IFRS 14	*Regulatory Deferral Accounts* [5]
IFRIC 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual IFRS financial statements beginning on or after 1 January 2016

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

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 Financial Instruments: Recognition and Measurement. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

In November 2013, the IASB added to IFRS 9 the requirements related to hedge accounting and made some related changes to IAS 39 and IFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to IFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to IFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other IFRS 9 requirements at the same time.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of IFRS 9 was removed by the IASB in November 2013 and a mandatory effective date will be determined after the entire replacement of IAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standards including all phases is issued.

Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities.

The IAS 19 Amendments apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2015.

The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The IAS 39 Amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group expects to adopt the amendments from 1 January 2014.

The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount for each cash-generating unit to which goodwill or intangible assets with indefinite useful lives had been allocated when they are not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group expects to adopt the amendments from 1 January 2014.

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

3. REVENUE AND OPERATING SEGMENT INFORMATION

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, and the values of service rendered.

The Group's revenue and contribution to profit are mainly derived from its sale of iron ore products and rendering of services, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. In addition, at the end of the reporting period, all of the Group's non-current assets were located in Malaysia. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products and services

The following table sets forth the total revenue from external customers from sales of products and rendering of services during the year:

	2013	2012
	USD'000	USD'000
Sales of goods	**107,873**	49,986
Rendering of services	**2,499**	4,337
	110,372	54,323

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 at which the goods were delivered designated by the customers or services were rendered.

	2013	2012
	USD'000	USD'000
Domestic – Malaysia*	**2,499**	5,851
Overseas – The People's Republic of China	**107,873**	48,472
	110,372	54,323

* Place of domicile of the Group's principal subsidiary, Capture Advance.

Information about major customers

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

	2013	2012
	USD'000	USD'000
Customer A	**78,435**	17,882
Customer B	**18,084**	*
Customer C	*	20,952

* Less than 10%

4. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	USD'000	USD'000
Unwinding of discount on provision	**21**	20
Interest on bank loans and hire purchase arrangements	**70**	31
	91	51

5. PROFIT BEFORE TAX

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

	2013 USD'000	2012 USD'000
Cost of inventories sold	**66,913**	27,925
Cost of services provided	**2,350**	4,322
Employee benefit expense (including directors' and chief executive's remunerations):		
Wages and salaries	**1,583**	904
Pension scheme contributions		
– Defined contribution fund	**32**	12
Housing fund		
– Defined contribution fund	**2**	—
Welfare and other benefits	**50**	9
Total employee benefit expense	**1,667**	925
Depreciation	**1,533**	785
Amortisation of intangible assets	**75**	42
Depreciation and amortisation expenses	**1,608**	827
Minimum lease payments in respect of:		
Land	**78**	109
Machine	**164**	162
Office	**130**	73
Auditors' remuneration	**339**	359
(Gain)/loss on disposal of items of property, plant and equipment	**(45)**	80
Listing fee expensed off	**2,826**	1,705
Foreign currency losses, net	**1,294**	154

6. 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.

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 25% (2012: 25%) on the assessable profits generated during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the assessable profits arising in Hong Kong during the year.

The major components of income tax expense are as follows:

	2013	2012
	USD'000	USD'000
Group:		
Current – Charge for the year		
Hong Kong	**4,975**	1,977
Malaysia	**468**	1,924
Deferred	**16**	52
Total tax charge for the year	**5,459**	3,953

A reconciliation of income tax expense applicable to profit before taxation at the statutory rates for the countries 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:

Group

	2013	2012
	USD'000	USD'000
Profit before tax	**25,204**	14,357
Tax at the statutory tax rate of 16.5%	**3,490**	(201)
Tax at the statutory tax rate of 25%	**1,013**	3,893
Tax losses not recognised	**36**	45
Expenses not deductible for tax	**920**	216
Tax charge at the Group's effective tax rate	**5,459**	3,953

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

The basic earnings per Share attributable to ordinary equity owners of the Company are as follows:

	2013	2012
	USD'000	USD'000
Profit attributable to owners of the Company	**19,745**	10,419

	Number of shares	
	2013	2012
	'000	'000
Weighted average number of ordinary Shares in issue during the year	**1,310,959**	1,125,000

The weighted average number of Shares used to calculate the basic earnings per Share for the year ended 31 December 2012 is the pro forma number of issued Shares of the Company of 1,125,000,000 Shares, comprising: (i) number of issued Shares as at 31 December 2012 of 50,000 shares; and (ii) the number of ordinary Shares of 1,124,950,000 issued by way of capitalisation, respectively.

The weighted average number of Shares used to calculate the basic earnings per Share for the year ended 31 December 2013 includes the weighted average number of Shares of 375,000,000 Shares issued upon the Listing on 3 July 2013, in addition to the aforementioned 1,125,000,000 ordinary Shares.

No adjustment has been made to the basic earnings per Share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary Shares in issue during those years.

8. TRADE RECEIVABLES

	2013	2012
	USD'000	USD'000
Irrevocable letter of credit	**4,289**	—
Trade receivables	**8,097**	755
	12,386	755

The Group normally accept settlement by way of irrevocable letter of credit or telegraphic transfer. The Group may sometimes request customers, including its trading customers, to pay deposit upon signing sales contracts with the Group. 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.

Based on the invoice date, all trade receivables and letter of credit of the Group at the end of the reporting period were aged within three months and were neither past due nor impaired.

9. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	USD'000	USD'000
Other receivables	**213**	647
Prepayments to a mining subcontractor	**6,123**	99
Other prepayments and deposits	**2,697**	1,092
	9,033	1,838

10. TRADE PAYABLES

Based on the invoice date, all trade payables of the Group at the end of the reporting period were aged within 60 days.

Trade payables are non-interest-bearing and are normally settled within 60 days.

11. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	2012
	USD'000	USD'000
Other payables	**811**	1,141
Accruals	**241**	359
Payroll and welfare payable	**142**	72
	1,194	1,572

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

12. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2013			2012		
Group	**Effective interest rate (%)**	**Maturity**	**USD'000**	Effective interest rate (%)	Maturity	USD'000
Current						
Bank loans – secured (note (a))	**3.10-3.14**	**2014**	**3,314**	—	—	—
Hire purchase arrangements (note (b))	**2.36-6.90**	**2014**	**479**	4.92-7.54	2013	233
			3,793			233
Non-current						
Hire purchase arrangements (note (b))	**2.36-6.90**	**2015 –2019**	**692**	4.92-7.54	2014 -2017	387
			4,485			620

Analysed into:

	2013	2012
	USD'000	USD'000
Bank loans repayable:		
Within one year	**3,314**	—
Hire purchase arrangements repayable:		
Within one year	**479**	233
In the second year	**403**	198
In the third to fifth years, inclusive	**283**	189
In the sixth year	**6**	—
	1,171	620
	4,485	620

Notes:

(a) As at 31 December 2013, the bank loans of the Group were secured by the pledged bank balances of USD989,000 (2012: Nil) and bore interest ranging from 3.10% to 3.14% per annum.

(b) The Group acquired certain of its motor vehicles and machinery through hire purchase arrangements, which are classified as finance leases and have remaining lease terms ranging from one to six years. As at 31 December 2013, payables relating to the hire purchase arrangements were secured by the corresponding motor vehicles and machinery acquired with an aggregate carrying amount of USD1,025,000 (2012:USD565,000).

(c) During the year, the Group entered into hire purchase arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of USD857,000 (2012: USD1,124,000).

During the year, the Group cancelled hire purchase arrangements in respect of property, plant and equipment with a total net present value of USD469,000 at the date of cancellation (2012: Nil).

At 31 December 2013, the total future minimum lease payments under hire purchase arrangements and their present values were as follows:

Group	**Minimum lease payments 2013 USD'000**	Minimum lease payments 2012 USD'000	**Present value of minimum lease payments 2013 USD'000**	Present value of minimum lease payments 2012 USD'000
Amounts payable:				
Within one year	**531**	285	**479**	233
In the second year	**430**	238	**403**	198
In the third to fifth years, inclusive	**298**	152	**283**	189
In the sixth year	**7**	—	**6**	—
Total minimum hire purchase payments	**1,266**	675	**1,117**	620
Future finance charges	**(95)**	(55)		
Total net hire purchase payables	**1,171**	620		
Portion classified as current liabilities	**(479)**	(233)		
Non-current portion	**692**	387		

Management has assessed that the fair values of the above interest-bearing bank and other borrowings approximate to their carrying amounts. The fair value measurement hierarchy of the above interest-bearing bank and other borrowing loans requires significant observable inputs (Level 2).

13. SHARE CAPITAL

Shares

	2013 USD'000	2012 USD'000
Authorised:		
3,000,000,000 (2012: 38,000,000) ordinary Shares of HK$0.01 each	**3,867**	49
Issued and fully paid:		
1,500,000,000 (2012: 50,000) ordinary Shares of HK$0.01 each)	**1,934**	—

The following changes in the Company's authorised and issued share capital took place during the year:

	Notes	Number of ordinary Shares	Nominal value of ordinary Shares USD'000
Authorised:			
At the date of incorporation, 31 December 2012 and 1 January 2013 (38,000,000 shares of HK$0.01 each)	(a)	38,000,000	49
Increase in authorised capital	(b)	2,962,000,000	3,818
As at 31 December 2013		3,000,000,000	3,867
Issued and fully paid:			
At the date of incorporation, 31 December 2012 and 1 January 2013 (1 share of HK$0.01)		—	—
Share swaps on 7 April 2013 (50,000 shares of HK$0.01 each)	(c)	50,000	—
Capitalisation of share premium account	(d)	1,124,950,000	1,451
Issue of new Shares	(e)	375,000,000	483
As at 31 December 2013		1,500,000,000	1,934

Notes:

(a) On the date of incorporation of the Company on 25 April 2012, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

(b) On 12 April 2013, the shareholders of the Company resolved to increase the authorised share capital of the Company from HK$380,000 to HK$30,000,000 by the creation of an additional 2,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

(c) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Capture Advantage from the existing shareholders, on 7 April 2013, (i) the one share then held by Cosmo Field was credited as fully paid at par and (ii) the remaining 49,999 shares, all credited as fully paid at par, were allotted and issued to the existing shareholders of Capture Advantage.

(d) Pursuant to the resolutions of the Company's shareholders passed on 12 April 2013, an aggregate of 1,124,950,000 shares of HK$0.01 each of the Company were allotted and issued, credited as fully paid at par by way of capitalisation of the sum of HK$11,249,500 (equivalent to approximately USD1,451,000) to the Company's shareholders on 3 July 2013.

(e) In connection with the Listing, 375,000,000 shares of HK$0.01 each were issued at a price of HK$1.30 per share for a total cash consideration, before listing expenses, of HK$487,500,000 (equivalent to approximately USD62,838,000).

The proceeds of HK$3,750,000 (equivalent to USD483,000), representing the par value, have been credited to the Company's share capital and the remaining proceeds of HK$483,750,000 (equivalent to approximately USD62,355,000) have been credited to the share premium account.

14. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

(a) Share premium

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

(b) Capital reserve

On 18 July 2011 and 25 June 2012, the Group acquired additional 19% and 30% of the non-controlling interests in Pacific Mining, respectively. The differences between the considerations and net assets attributable to the additional shares acquired were accounted for in capital reserve.

On 13 March 2012, Capture Acme Co., Ltd. (whose sole shareholder was the father of the controlling shareholder of the Group) was de-registered and accordingly the payable to Capture Acme Co., Ltd. by the Group for USD981,000 was reversed and recognised as capital reserve.

On 6 August 2012, the Group and Chengdu Hande Investment Co., Ltd. ("Chengdu Hande") agreed upon a debt restructuring arrangement, pursuant to which Chengdu Hande unconditionally released and discharged the Group's liability and obligation in respect of debts in full amounting to USD13,074,000 as at 31 July 2012 and recognised as capital reserve.

(c) Contributed surplus

On 23 August 2010, Capture Advantage was incorporated in the BVI with the issue and allotment of 50,000 ordinary shares with par value of USD1, which was recognised in the contributed surplus in the consolidated financial statements.

15. DIVIDENDS

At a meeting of the directors of the Company held on 18 March 2014, the Directors of the Company proposed a final dividend of HK 5.1 cents per Share for the year ended 31 December 2013 (2012: Nil).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2013, the global economy continued to see signs of slow recovery. The US and Eurozone economies are slowly rebounding with the ease of worries over US fiscal cliff and Eurozone's debt crisis. In terms of commodities, iron ore outperformed others, buoyed by strong demand. Looking at this year's iron ore market, demand reached around 1.95 billion tonnes, exceeding 2012's 1.52 billion tonnes, while iron ore supply capacity amounted to around 2.01 billion tonnes. Overall, 2013 saw a tight iron ore supply and demand balance. Supported by strong demand, prices of iron ore also rebounded during the second half of the year from mid-year lows. According to Platts Iron Ore Price Index, iron ore prices were relatively stable in the second half of 2013 compared to the first half of the year with the prices ranging from USD 130-140 per tonne. This price range, albeit only two thirds of the record-high price three years ago, is still way above the USD 90 per tonne price recorded in 2012 when China faced a weak economic growth.

China is in the mid-stage of industrialization and urbanization. Construction projects and rapid advancement of urbanization have called for increase in steel consumption, in particular, in the areas of infrastructure, transportation and durable consumer goods. As a result, iron ore demand has also risen. Despite overcapacity in China's steel industry, the soaring demand of iron ore has provided support to its price. According to the National Bureau of Statistics of China, China's 2013 crude steel output amounted to 779.04 million tonnes, up 7.5% year on year. On the other hand, China's iron ore demand rose by 8.6% from 1.05 billion tonnes in 2012 to 1.14 billion tonnes, accounting for 58.4% of the global demand.

In addition, despite China's relatively abundant iron ore resources, China's domestic supply is still not able to meet the demand from its steel industry. Because of the small scale deposits and low-grade iron ores, production costs are pushed up higher than other international iron ore suppliers. As a result, China's dependence on iron ore imports rose from 2009's 60% to close to 70% in 2013. Data from China's customs show that iron ore imports continued to reach record-highs for the third year as it increased 10.2% year-on-year to 820 million tonnes in 2013.

BUSNIESS AND OPERATIIONS REIVEW

Major operating results

Growing demand for our iron ore products from the Chinese customers, combined with stable prices of the commodity and an increase in the Group's production capacity have positively impacted CAA Resources' sales volume and revenue for 2013.

For the year ended 31 December 2013, the Group's sales revenue soared 103.2% to approximately USD110.4million (2012: approximately USD54.3 million). Sales volume surged 145.5% to approximately 1,053 Kt on dry basis (2012: approximately 429 Kt). Products sold had average iron ore grades of 56.6%, with average selling price on dry basis at USD103 per tonne.

As a result of CAA Resources' high-margin and low inventory strategy, the Group recorded strong growth in gross profit of 86.2% for 2013 at USD41.1 million compared to USD22.1 million in 2012. However, the exceptional and early rain season in Malaysia at the end of 2013 marginally impacted gross profit margin for the year, and was recorded at 37.2% (2012: 40.6%). Nonetheless, the Group's profit for the year increased by 89.8% from USD10.4 million in 2012 to USD19.7 million, as a result of higher sales volume and lower production cost. Basic earnings per share for the year 2013 was USD1.51 cents.

At present, the iron ore products produced at the Ibam Mine constitutes the Group's major sales, and the rest was generated from iron ore trading activity.

	For the year ended 31 December 2013	For the year ended 31 December 2012	Change
Sales Revenue	**USD110,372,000**	USD54,323,000	+103.2%
Sales Volume (dry basis)	**1,053,000 tonnes**	429,000 tonnes	+145.5%
Gross Profit	**USD41,109,000**	USD22,076,000	+86.2%
Gross Profit Margin	**37.2%**	40.6%	-3.4 percentage point

Project Ibam

The Group's principal asset is Project Ibam, a mine with 151 Mt combined measured and inferred iron ore resource at an average grade of 46.5% total iron, which exceeds the Chinese 30% crude iron ore average grade. Ibam Mine is one of the most resource rich mine with an exceptionally high iron content in Malaysia. It has a mine life expected to be more than 26 years. The Group uses the open-pit mining method to simplify operations and reduce production costs. The Group produces iron ore products through a relatively low-cost process which includes ball-milling, magnetic separation process and dewatering. The method is environmentally friendly as it does not require chemical additives and reduces the amount of waste water produced.

As part of the Group's expansion plan, a total of four new beneficiation lines and five new crushing lines were purchased during the year under review, for a sum of approximately USD11.78 million. As at 31 December 2013, the Group had a total of nine beneficiation lines, among which four were newly installed and commenced operation during the year under review, and a total of seven crushing lines, among which five were newly purchased and were in the process of installation during the year under review. The mine's annual mining volume reached 1.2 million tonnes. Project Ibam accounted for about 36.6% of the Group's total revenue.

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

	For the year ended 31 December 2013	For the year ended 31 December 2012	Change
Mining Volume	**1.2 Mt**	0.7 Mt	+67.92%
Production Volume	**639.2 Kt**	178.8 Kt	+257.49%

Total mining volume of Ibam Mine for the twelve months ended 31 December 2013 was 1,248,177 tonnes, as set out below:

Quarter ended	**Quarterly Ore mined and crushed (tonnes)**	**Average Fe Grade (%)**
31 March 2013	73,220	46.70
30 June 2013	507,969	47.30
30 September 2013	336,588	50.00
31 December 2013	330,400	50.80

Pursuant to the announcement made by the Company on 7 November 2013, the Ibam Mine was required to modify its tailing ponds by the Jabatan Mineral dan Geosaing Pahang (the "Mining Bureau") due to the exceptionally heavy precipitations in the rain season in 2013. The Mine's beneficiation process was temporarily suspended during these modifications; however, there was no impact on the production and sale of the iron ore products that solely require crushing without beneficiation except the fact that the gross profit margin was lowered in the second half of 2013. On 23 January 2014, a notice was submitted to the Mining Bureau following the completion of the modifications to arrange for appropriate inspections. The modification was viewed as an important long-term initiative which will benefit the development of the mine, by reducing flooding risk in future.

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

Reinforced customer base

The Group has established long-term and stable relationships with many reputable Chinese steel manufacturers and/or their respective agents in China, including Ningbo Iron and Steel Company Limited, the subsidiary company of Baosteel Group Corporation. Ningbo Steel has been a client for more than three years.

During the year, we actively expanded CAA Resources' customer network. On 9 September 2013, the Group entered into a cooperation agreement with Mercuria. It is estimated that Mercuria will purchase or procure customers to purchase a total of 1.5 Mt of iron ore concentrates production from CAA Resources from 2013 to 2015. Through Mercuria's network of Chinese business partners, it is expected that Mercuria will help sales and marketing of the Group's iron ore concentrates production into China. Mercuria is one of the world's top 5 leading independent energy and commodities trading companies. Mercuria's trading headquarters is located in Geneva, Switzerland and its operations span five continents with 37 offices worldwide. For details of the cooperation, please refer to the Company's announcement dated 9 September 2013.

Actively to seek business expansion and diversified resources

Apart from the expansion at Project Ibam, CAA Resources' development strategy is to seek long term sustainable growth through a series of acquisitions of mines in Malaysia with high iron ore content.

On 3 October 2013, Capture Advance, the Group's wholly owned subsidiary in Malaysia, entered into a MOU for a proposed 60% acquisition of Red Sun Resources. According to the MOU, Capture Advance will acquire or subscribe for 60% of the equity interests in Red Sun Resources. Upon completion, Capture Advance will beneficially own 60% of the company. Furthermore, exploration, prospecting and mining of iron ore will be carried out through the joint venture on a parcel of land located at Bukit Besi, Terengganu. The land has approximately 281 Mt of resources. The Group has also set up a wholly owned subsidiary, Capture Bukit Besi Sdn. Bhd. in Malaysia on 30 September 2013, for this transaction.

Furthermore, on 1 December 2013, Capture Advance entered into a MOU and was in exclusive negotiations with JKKR Felda Kemahang 3 and Bukit Besi Mining Sdn. Bhd. in respect of the iron ore mining rights and the income right for a parcel of land and its surrounding land lots with an area of approximately 1,940 hectare in Kemahang 3, Kelantan.

On 19 December 2013, Capture Advance commenced negotiations with all shareholders of SRI Jedok Mining Sdn. Bhd. in Malaysia in respect of the transfer of their equity interests in the company, in order to obtain the controlling or the entire equity interests of the company. The current sole asset of the company is the iron ore mining right of a piece of land with an area of approximately 4.85 square kilometers (approximately 1,200 acres) in Kelantan State.

For further details, please refer to the Company's announcements dated 3 October 2013, 2 December 2013 and 19 December 2013, respectively.

FINANCIAL REVIEW

Revenue

During the year, the Group's revenue reached approximately USD110.4 million, representing 103.2% higher than the amount of USD54.3 million recorded in the year of 2012. The increase in revenue was mainly brought by higher sales volume of the Group's iron ore products which was mainly attributable to growing demand in China's iron ore market. The sales volume on dry basis for the year under review was approximately 1,053 Kt, representing 145.5% higher than 429 Kt in 2012. The average selling price (dry basis) of the iron ore products for the year was USD102.7 (2012: USD116.5). The reason for the decrease was brought by the temporary suspension of the beneficiation process in the second half of year 2013 as a result of the exceptionally heavy precipitation in Malaysia. During the period of suspension, the production in Ibam Mine was limited to perform simple crushing which substantially lowered the iron content and average selling price.

In addition to sales of iron ore products which was approximately USD107.9 million for the year (2012: USD50.0 million), the Group's beneficiation service income was approximately USD2.5 million (2012: USD4.3 million) during the year under review. The decrease in service income was mainly due to the termination of cooperation with Esperance Mining Sdn. Bhd. since April 2013. Income from the PRC and Malaysia was approximately USD107.9 million and USD2.5 million for the year respectively (2012: USD48.5 million and USD5.9 million respectively). Income from Malaysia for the year represented the beneficiation service rendered in Esperance Mine.

Cost of Sales

During the year under review, the Group's cost of sales reached approximately USD69.3 million, about 114.8% higher than the approximately USD32.2 million recorded for the year 2012. The cost of sales primarily comprises ore production cost, service fee to mining contractor, mining fee paid to the registered holder of mining lease of the Ibam Mine, service fee to processing contractor and purchase of iron ore for trading purpose. During the year, the average unit cost of sales was USD63.7 per dry tonne basis, 2.6% lower than that of last year at USD65.4 per dry tonne basis.

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

Gross Profit and Margin

During the year under review, the Group's gross profit reached approximately USD41.1 million, about 86.2% higher than the approximately USD22.1 million recorded in year of 2012. The increase was mainly due to the Group's higher sales volume compared with last year.

The gross profit margin for the year ended 31 December 2013 was 37.2%, marginally lower than that of last year's at 40.6%. The decrease was mainly due to the temporary closure of the tailing ponds and suspension of beneficiation process in the second half of the year 2013, during which the iron ore products sold by the Group were of lower iron content.

Selling and Distribution Expenses

During the year, the Group's selling and distribution expenses reached approximately USD8.5 million, about 83.2% higher than the approximately USD4.6 million recorded for 2012. The increase was mainly due to the cost increase in freight transport between the mining site and the warehouse in Kuantan Port to the port of destination designated by our customers.

Administrative Expenses

During the year, the Group's administrative expenses reached approximately USD6.1 million, about 111.5% higher than the approximately USD2.9 million in the year of 2012. The increase was mainly due to higher staff costs, professional fees and listing expenses incurred. The listing expenses incurred for the year was approximately USD2.8 million.

Finance Costs

During the year, the Group's finance costs reached approximately USD0.1 million, about 78.4% higher than that in the year of 2012. The increase was mainly attributable to the increase of bank and other borrowings.

Income Tax Expenses

During the year, the Group's income tax expense reached approximately USD5.5 million, about 38.1% higher than the approximately USD4.0 million in the year of 2012. The effective tax rate was 21.7% in comparing with 27.5% of last year. The decrease in effective tax rate was mainly due to the efficient tax accounting management exercise within the Group and the proportion of non-tax deductible listing expense to profit for the year of 2013 was lower than that of 2012.

Profit for the Year

As a result of the operating activities, profit for the year ended 31 December 2013 increased by 89.8%, from approximately USD10.4 million for the year ended 31 December 2012 to approximately USD19.7 million for the year ended 31 December 2013.

The net profit margin decreased from 19.2% for the year ended 31 December 2012 to 17.9% for the year ended 31 December 2013.

Total Comprehensive Income Attributable to Owners of the Company

Total comprehensive income attributable to owners of the Company increased by 61.5%, from approximately USD11.3 million for the year ended 31 December 2012 to approximately USD18.2 million for the year ended 31 December 2013. The percentage increase of 61.5% was less than the percentage increase in profit for the year of 89.8% since an exchange loss arising from translation of foreign operation of approximately USD1.5 million recorded during the year.

Final Dividend

The Directors recommend the payment of a final dividend of HK 5.1 cents per Share for the year ended 31 December 2013, amounting to HKD76.5 million (equivalent to approximately USD9.9 million) in total (2012: Nil). The final dividend is subject to the approval of the Shareholders at the forthcoming AGM. The last registration date for entitlement to the proposed final dividend is 13 May 2014.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company is scheduled on 30 April 2014. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 28 April 2014 to Wednesday, 30 April 2014, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the AGM, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) no later than 4:30 p.m. on Friday, 25 April 2014.

The Board has recommended the payment of a final dividend of HK 5.1 cents per Share for the year ended 31 December 2013 to Shareholders whose names appear on the register of members of the Company on 13 May 2014, subject to the approval of the Shareholders of the Company at the AGM. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 9 May 2014 to 13 May 2014, both days inclusive, and no transfer of shares will be effected on such date. In order to qualify for the proposed final dividend, all transfer of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (to be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) no later than 4:30 p.m. on 8 May 2014. It is expected that the final dividend will be paid on or around 3 June 2014.

LIQUIDITY AND CAPITAL RESOURCES

The total equity of the Group as at 31 December 2013 was approximately USD104.2 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 year included settlement of listing expenses, operating expenses, and purchase of items of property, plant and equipment. As at 31 December 2013, current assets of approximately USD58.7 million primarily comprised USD5.6 million of inventory, USD12.4 million of trade receivables, USD9.0 million of prepayments, deposits and other receivables, and USD30.7 million of cash and cash equivalents. Current liabilities of approximately USD18.0 million mainly comprised USD2.7 million of trade payables, USD3.8 million of interest-bearing bank and other borrowing, and USD10.4 million of tax payable. Current ratio, being total current assets to total current liabilities was 3.3 as at 31 December 2013 (31 December 2012: 0.52). The Group's liquidity position has been improved by the Listing and it has sufficient financial resources to finance its expansion plan of Project Ibam and to meet its working capital requirements.

As at 31 December 2013, the Group had certain interest-bearing bank and other borrowings of USD4.5 million in total (31 December 2012: USD0.6 million). The bank and other borrowings were used to finance the issuance of letter of credit and purchase of machinery and motor vehicles.

	For the year ended 31 December	
	2013	2012
Cash and cash equivalents in the consolidated statement of cash flow at beginning of year	**1,861**	196
Net cash flows from operating activities	**2,322**	16,011
Net cash flow used in investing activities	**(35,412)**	(16,115)
Net cash flows from financing activities	**62,091**	1,817
Net increase in cash and cash equivalents	**29,001**	1,713
Effect of foreign exchange rate changes, net	**(114)**	(48)
Cash and cash equivalents as stated in the consolidated statement of cash flows at end of year	**30,748**	1,861

Net Cash Flows from Operating Activities

The Group's net cash flows from operating activities decreased by 85.5%, from approximately USD16.0 million for the year ended 31 December 2012 to approximately USD2.3 million for the year ended 31 December 2013. It primarily included the profit before tax of USD25.2 million and the increase in trade receivables, inventories, prepayment and deposits paid and payments to related parties.

Net Cash Flows used in Investing Activities

The Group's net cash flows used in investing activities increased by 119.7%, from approximately USD16.1 million for the year ended 31 December 2012 to approximately USD35.4 million for the year ended 31 December 2013. It primarily included the increase in the purchase of items of property, plant and equipment of approximately USD19.3 million; and the deposit for acquisition of equity interest of Red Sun Resources subsequent to the announcement made by the Company on 3 October 2013 of approximately USD15.1 million.

Net Cash Flows from Financing Activities

The Group's net cash flows from financing activities significantly increased by 3,317.2%, from approximately USD1.8 million for the year ended 31 December 2012 to approximately USD62.1 million for the year ended 31 December 2013. It primarily included the proceeds (net of share issue expenses) from the IPO of approximately USD59.3 million, and the net borrowings of approximately USD2.8 million.

Inventories

The Group's inventories increased by 335.5%, from approximately USD1.3 million as at 31 December 2012 to approximately USD5.6 million as at 31 December 2013. It is primarily because of enhancement of production capacity which lengthened the inventory turnover days from 8.5 days last year to 18.1 days.

Trade Receivables

The Group's trade receivables increased by 1,540.5%, from approximately USD0.8 million as at 31 December 2012 to approximately USD12.4 million as at 31 December 2013. Trade receivable turnover days were approximately 22 days (2012: 3 days). The longer trade receivable turnover days was recorded since there were several major shipments delivered in late December 2013 for approximately USD8.2 million which were not due and that the Group generally granted credit period given to old customers on open account basis.

The Group has modified the trading terms with its major customers in the second half of 2013. Major customers were granted credit on open account basis or allow to settle by documentary letter of credit. However payment in advance is still required for new customers. 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 and had been fully settled after the year end date.

Prepayments, deposits and other receivables

The Group's prepayments, deposits and other receivables increased by 391.5% from approximately USD1.8 million as at 31 December 2012 to approximately USD9.0 million as at 31 December 2013. It primarily represented prepayments made to the Group's major subcontractor for mining and processing costs aggregate to approximately USD8.2 million.

Trade Payables

The Group's trade payables increased by 46.0% from approximately USD1.8 million as at 31 December 2012 to approximately USD2.7 million as at 31 December 2013, which was mainly due to the increase in purchase of iron ore products to cope with the increase in sale during the year under review.

Net Current Assets Position

The Group's net current assets position was significantly improved during the year, from net current liabilities of approximately USD5.2 million as at 31 December 2012 to net current assets of approximately USD40.7 million as at 31 December 2013, primarily attributable to proceeds from the Listing of the Shares of the Company and profits realised during the year, which outweighed the financing of working capital incurred.

Borrowings

As at 31 December 2013, the Group's borrowings mainly included: (i) two bank loans of USD1.3 million and USD2.0 million with an annual interest rate ranging from 3.1% to 3.14%; and (ii) hire purchase arrangements for motor vehicles and equipment of USD0.8 million with an annual interest rate ranging from 2.36% to 6.90%.

Contingent Liabilities

As at 31 December 2013, the Group did not have any material contingent liabilities.

Foreign Currency Risk

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

The Group's businesses are located in Malaysia and its operating transactions are conducted in RM. Most of its assets and liabilities are denominated in RM, except for certain payables to professional parties and administrative expenses in the Hong Kong office that are denominated in HKD, and the bank loan obtained that are denominated in USD. The Group has not entered into any hedging transaction to manage the potential fluctuation in foreign currencies. The following table demonstrates the sensitivity at the end of each of the relevant periods to a reasonably possible change in the RM exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in RM rate	**Increase/ (decrease) in profit before tax**
31 December 2013		
If the US dollar weakens against RM	5%	1,751
If the US dollar strengthens against RM	(5%)	(1,751)
31 December 2012		
If the US dollar weakens against RM	5%	503
If the US dollar strengthens against RM	(5%)	(503)

As at 31 December 2013, exchange loss arising from translation of foreign operations between RM and USD was approximately USD1.5 million.

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 its interest-bearing loans for issuance of letters of credit since the amount was immaterial and had been fully repaid in January 2014. In addition, the Group has not used any interest rate swap to hedge against interest rate risk.

Pledge of Assets

Motor vehicles and machinery with an aggregate net carrying amount approximate to USD1,025,000 (2012: USD565,000) were pledged to secure hire purchase arrangements entered into by the Group at 31 December 2013. Save for disclosed as above, the Group did not have any pledges on its assets as at 31 December 2013.

Contractual Obligations

As at 31 December 2013, the Group's contractual obligations amounted to approximately USD72.2 million, and decreased by USD8.7 million as compared to approximately USD80.9 million as at 31 December 2012, which was primarily due to the progressive completion of major expansion plan at the Ibam Mine during the year.

Capital Expenditure

During the year, the Group's total capital expenditure increased by 13.8 million from approximately 7.0 million in 2012 to approximately 35.9 million in 2013. The major capital expenditure consisted of acquisition of machinery to approximately USD17.8 million; a payment in advance of USD15.1 million in respect of an acquisition of 60% equity interest in Red Sun Resources; and purchase of other tangible assets for office in Hong Kong and Malaysia.

Gearing Ratio

The Group is currently funding its capital expenditure through internal generated funds from its operations and new bank borrowings. 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 loans, net of cash and bank balances and it excludes liabilities incurred for working capital purposes. Equity includes equity attributable to the owners of the Company and non-controlling interests.

As at 31 December 2013, the Group's cash and bank balances exceeded the total interest-bearing bank and other loans and commercial papers. As such, no gearing ratio as at 31 December 2013 is presented (2012: 14.79%, which was calculated based on the Group's net debt divided by total capital plus debt).

Financial Instruments

As at 31 December 2013, the Group had not any financial instruments outstanding.

RESOURCE AND RESERVES OF IBAM MINE UNDER THE JORC CODE AS AT 31 DECEMBER 2014

Mineral resources of the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2013:

Classification	Quantity (Mt)	Fe Grade (%)
Measured	109	46.7
Indicated	—	—
Inferred	42	46.4
Sub-total	151	46.6

Ore reserves of the Ibam Mine for ore with iron grade greater than or equal to 35% as of 31 December 2013:

Classification	Quantity (Mt)	Fe Grade (%)
Proved	—	—
Probable	103	44.7

EMPLOYEES AND EMOULMENT 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 2013, the Group had 52 employees (2012: 44). For the year ended 31 December 2013, total staff cost including Directors' emolument amounted to approximately USD1.7 million (2012: USD0.9 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.

OUTLOOK

China has been actively promoting urbanization in recent years and, according to the Chinese Academy of Social Sciences Blue Book, China's urbanization rate is expected to reach 60% by 2018. Demand for iron ore is driven by the rising need for steel in infrastructure and indemnificatory housing developments linked to urbanization. Based on a report by the China Metallurgical Industry Planning and Research Institute, China's 2014 crude steel production is forecast to reach 810 million tonnes, representing a 3.8% year-on-year increase. At the same time, iron ore imports are expected to rise to a record high of 850 million tonnes. Together with China's continuous effort to stabilize economic growth, we believe that the mainland's demand for iron ore will continue to grow in 2014. Furthermore, China's dependence on iron ore imports will remain the same and prices are likely to remain stable.

Meanwhile, the Chinese government is becoming increasingly aware of environmental issues and is determined to reduce overcapacity and curb pollution problems. In order to reduce carbon emissions, steel mills are required to replace and upgrade their equipment for the production of more environmentally-friendly products. Therefore, using less polluting iron ores of a higher grade with low impurity will become a trend in China, as quality iron ores become the preferred raw material for steel mills. Given that the average grade of China's iron ores is only approximately 30%, and quality iron ores only represent a minor portion of the 70% iron ore imports, it is expected that the appetite for quality iron ores will grow and the price of this commodity will stay firmer compared to other generic iron ore products.

BUSINESS STRATEGY

Strategy

CAA Resources is in a phase of rapid growth. Going forward, the Group will actively implement the expansion of Project Ibam, improve product quality, as well as accelerate the completion of its pipeline projects. Additionally, we will further identify other suitable acquisition projects to add to our resources. We believe that, with enhanced capacity, increased reserves and improved quality, our pricing power will also be enhanced, which will boost the Group's revenue and profit.

Capacity Expansion

In 2014, the Group will continue to benefit directly from China's economic growth and China's strong demand for iron ore products. In order to better capture the enormous business opportunities in China, one of the Group's development strategies is to effectively enhance Ibam Mine's production capacity. Through a three-phased development plan, we will build new production lines and expand mining activities and production scale. Following the expansion, which is estimated to complete by the end of 2015, the annual capacity of Project Ibam is expected to improve by 160%. The enhanced economies of scale will reduce the production cost per unit, and we expect that it will further strengthen Ibam Mine's operating efficiency.

Value-added Products

The Group is actively complying with the economic adjustment and environment-friendly policies set by the Chinese government to meet customer demand following upgrades of steel-making equipment. The Group is making technological innovation on part of the production lines at Project Ibam to produce higher quality pelletizing iron concentrate with lower impurity, lower energy consumption, higher environment protection, and with stronger market demand and better price than ordinary iron ore fines. The product is an ultrafine concentrate with iron content of 66% and above. The Group expects to commence production in batches in the second quarter of 2014. Both product sales price and Group profit are expected to be positively impacted by then.

Diversified businesses

The Group will continue to pursue its three potential acquisition projects in Terengganu and Kemahang and intends to complete them as soon as possible. We expect our production capacity to be further enhanced upon completion. Meanwhile, the Group will also actively broaden its client base, and expand its market reach from China to other regions including Malaysia. We believe a diversified client base will be beneficial to the Group's long-term development.

CAA Resources will continue to adhere to its high-margin and low-inventory business strategy. With our strong business fundamentals and financial strength, the Group is well positioned to capture new opportunities, and will remain committed to creating value for our Shareholders.

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 period from the Listing Date to 31 December 2013 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 period from the Listing Date to 31 December 2013.

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 period from the Listing Date to 31 December 2013.

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 2013 will be dispatched to Shareholders of the Company and available on the above websites in due course.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2013.

Glossary

"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CAA Resources", "Company", "we", "us" or "our"	CAA Resources Limited (優庫資源有限公司), a company incorporated in the Cayman Islands on 25 April 2012 under the Companies Law CAP. 22 and, except where the context otherwise requires, all of its subsidiaries or where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
"Capture Advance"	Capture Advance Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares on 15 November 2007 and which is wholly owned by Best Sparkle, and an indirect wholly-owned subsidiary of the Company
"CG Code"	Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules
"Chief Executive Officer"	the chief executive (as defined in the SFO) of the Company
"China" or "PRC"	the People's Republic of China. For the purpose of this report and for geographical reference only and except where the context requires, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended and supplemented from time to time
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules, and in the context of this annual report means the controlling shareholders of our Company, namely Cosmo Field and Mr. Li Yang, and Controlling Shareholder means any one of them

"Cosmo Field"	Cosmo Field Holdings Limited (宇田控股有限公司), a company incorporated in the BVI with limited liability on 26 March 2012, and which is wholly owned by Mr. Li Yang
"Director(s)"	the director(s) of the Company
"Esperance Mine"	the mine located in Lot 27124, Bukit Ibam, Mukim Keratong, Daerah Rompin, Pahang, Malaysia and is near the Ibam Mine and the mining lease of which is held by Esperance Mining Sdn. Bhd., a company incorporated in Malaysia on 5 October 2004 and is an Independent Third Party
"Global Offering"	the offering of the Shares of the Company for subscription by the public in Hong Kong and purchase by institutional and professional investors as described in the Prospectus
"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
"IFRSs"	International Financial Reporting Standards, which comprise standards and interpretations approved by International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect
"Independent Third Party(ies)"	persons or companies which are independent of and not connected with (within the meaning of the Listing Rules) any of the Directors, Chief Executive Officers, Substantial Shareholders of the Company or any of its subsidiaries and their respective associates, and "Independent Third Party" means any of them

"inferred resource"	part of the iron ore resource for which tonnage, grade and mineral content can be estimated with a low level of confidence as defined by the JORC Code
"IPO"	the initial public offering and listing of Shares of the Company on the Main Board on 3 July 2013
"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
"Kuantan Port"	the multipurpose port in Kuantan that is operated by Kuantan Port Consortium Sdn Bhd, which is owned by IJM Corporation Berhad (a publicly listed company on Bursa Malaysia Securities Berhad), being a major terminal of the east coast region of Peninsular Malaysia and is connected to the major sea lanes of the shipping world
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on 3 July 2013
"Listing Date"	the date the Shares of the Company were listed on the Main Board of the Stock Exchange, being 3 July 2013
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Malaysia Companies Act 1965"	the Companies Act 1965 of Malaysia and any subsequent amendment(s) thereof

"Mercuria"	Mercuria Energy Trading Pte. Ltd., a company incorporated in the Republic of Singapore engages in global trading of crude oil and refined oil products
"mining volume"	the aggregate volume of produced ore volume excluding stripping rock volume
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"MOU"	memorandum of understanding
"Mt"	million tonnes, which is weight unit of measure for iron ore either on dry basis or on wet basis
"pelletizing"	a process to compress the iron ore into the shape of a pellet
"probable reserves"	the economically mineable part of an indicated resource, and in some circumstances, a measured resource, as defined by the JORC Code, which includes diluting materials and allowances for losses which may occur when the material is mined
"Project Ibam"	the mining project carried out at the Ibam Mine pursuant to the Mining Agreement
"Prospectus"	the prospectus dated 30 June 2013 issued by the Company in connection with the Global Offering and the Listing
"Red Sun Resources"	Red Sun Resources Sdn. Bhd., a company incorporated in Malaysia as a private company limited by shares which the interest on a parcel of land located at Bukit Besi, Terengganu, Malaysia would be transferred
"RM"	Malaysian Ringgit, the lawful currency of Malaysia
"SFC"	the Securities and Futures Commission of Hong Kong

"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 section 2 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it under the Listing Rules
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"USD", "US dollars" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent

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

Hong Kong, 18 March 2014

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.

Company website: www.caa-resources.com