

**CAA RESOURCES LTD:
IT IS DIFFICULT TO UNDERSTAND THE ANOMALIES**

There is that trite idiom that goes along the lines that that which appears to be too good to be true is, most likely, too good to be true.

Then, there is that other idiom that goes along the lines that one should never invest in things that grow in the ground or underneath it.

Both of the above idioms contain a great deal of truth, but, of course, there are always exceptions to the rules, aren't there?

One would hope that the promises and strong, positive suggestions, made in the Global Offering Prospectus of CAA Resources Ltd () (Code: 2112, Main Board, The Stock Exchange of Hongkong Ltd), will come to fruition.

TARGET () was, however, almost dumbfounded to read, among other things, that Management of CAA Resources has adopted the future dividend policy of paying out between 50 percent and 60 percent of the Group's profits, available for distribution, commencing December 31, 2013.

Never, in the 42 years' experience of this medium, has a company, pitching an **Initial Public Offering (IPO)**, made such a declaration: It, really, makes no sense.

Whether or not Management will be able, or will want to maintain, its declared dividend policy, as stated in its Global Offering Prospectus, remains to be seen.

The IPO

Management of CAA Resources is Offering 375 million, one-cent Shares at the Indicative Offer Price Per Share of between \$HK1.30 and \$HK1.60.

On July 2, it was announced that the Offer Price had been struck at \$HK1.30 Per Share.

The amount of money, raised in this '*Call to Alms*', was about \$HK440 million, according to the official announcement from the Company.

The amount of money will be used for the following purposes:

- About 58.10 percent – about \$HK255.50 million – '*to finance the expansion of mining and beneficiation capacity of Project Ibam*';
- About 21.60 percent – about \$HK95 million – '*to finance the construction of the new berth at Kuantan Port for the right to use the dedicated berth*';
- About 10.30 percent – about \$HK45.50 million – '*for acquisitions of companies with existing exploration rights and additional mining assets in Malaysia*'; and,
- The balance of the net proceeds, about \$HK44 million, to be used as Working Capital.

Of the total number of shares, being Offered in this IPO, three Cornerstone Investors committed, on June 10,

2013, to purchase in the region of 37.10 percent of the entire number at a cost of about \$US26 million (about \$HK202.07 million).

As it turned out, they purchased about 4.30 percent more of the Offered Shares than was indicated in the Global Offering Prospectus.

The Cornerstone Investors are:

<u>Name Of The Cornerstone</u>	
<u>Investor</u>	<u>Amount of Shares Purchased</u>
Venus Investment Fund	23.90 percent of the total number of Offer Shares
Broad Resources Investment (Asia Pacific) Ltd	4.80 percent of the total number of Offer Shares
Mercuria Energy Group Ltd	12.70 percent of the total number of Offer Shares

The three Cornerstone Investors will, now, in aggregate, own 10.40 percent of the Issued Share Capital of CAA Resourced Ltd with their combined holdings of 41.40 percent of the number of shares, Offered in this IPO.

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