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利海資源
L'SEA RESOURCES

L'SEA RESOURCES INTERNATIONAL HOLDINGS LIMITED
利 海 資 源 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 195)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board ("Board") of directors ("Directors") of L'sea Resources International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Revenue	*4*	**377,628**	344,497
Cost of sales		**(332,763)**	(356,209)
Gross profit (loss)		**44,865**	(11,712)
Interest income		**655**	1,175
Administrative expenses		**(42,650)**	(36,556)
Other expenses	*5*	**(4,389)**	(6,610)
Other gains and losses	*6*	**14,067**	9,074
Finance costs	*7*	**(10,420)**	(29,026)
Reversal of impairment loss (impairment loss) recognised on property, plant and equipment		**119,176**	(87,253)
Reversal of impairment loss (impairment loss) recognised on exploration and evaluation assets		**51,245**	(58,395)
Profit (loss) before taxation		**172,549**	(219,303)
Taxation (charge) credit	*9*	**(63,427)**	44,778
Profit (loss) for the year	*10*	**109,122**	(174,525)
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(5,921)**	(34,232)
Total comprehensive income (expense) for the year		**103,201**	(208,757)
Profit (loss) for the year attributable to:			
Owners of the Company		**84,119**	(144,343)
Non-controlling interests		**25,003**	(30,182)
		109,122	(174,525)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**78,579**	(174,495)
Non-controlling interests		**24,622**	(34,262)
		103,201	(208,757)
Earnings (loss) per share	*11*		
Basic (HK cents)		**1.64**	(2.81)
Diluted (HK cents)		**1.64**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**337,967**	194,316
Exploration and evaluation assets		**129,836**	88,194
Deposits		**11,523**	11,661
Deferred tax assets		**—**	18,012
		479,326	312,183
Current assets			
Inventories		**19,585**	12,760
Trade receivables	*12*	**53,276**	20,537
Other receivables, prepayments and deposits		**5,272**	6,886
Held-for-trading investments		**3,920**	4,512
Bank balances and cash		**160,499**	163,965
		242,552	208,660
Current liabilities			
Trade payables	*13*	**22,026**	40,000
Other payables and accruals		**95,264**	84,522
Other borrowing	*14*	**184,055**	—
Obligations under finance leases		**16,562**	373
Convertible bonds		**—**	175,721
		317,907	300,616
Net current liabilities		**(75,355)**	(91,956)
Total assets less current liabilities		**403,971**	220,227

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**25,650**	25,650
Reserves		**294,661**	216,082
Equity attributable to owners of the Company		**320,311**	241,732
Non-controlling interests		**(10,029)**	(34,651)
Total equity		**310,282**	207,081
Non-current liabilities			
Obligations under finance leases		**38,137**	903
Deferred tax liabilities		**43,620**	—
Provision for rehabilitation		**11,932**	12,243
		93,689	13,146
		403,971	220,227

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activity of the Group is exploration, development and mining of tin and copper bearing ores in Australia ("Mining Operations").

The Company's functional currency is Australian Dollar ("AUD"). The consolidated financial statements are presented in Hong Kong Dollar ("HK$") as the directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

Basis of preparation and going concern

As at 31 December 2015, the Company has outstanding convertible bonds ("Convertible Bonds") with the principal amount of HK$176,400,000 with the maturity date at 3 March 2016 (the "Maturity Date of the Convertible Bonds"). On the Maturity Date of the Convertible Bonds, at the request of the Company, the holder of the Convertible Bonds agreed in writing to defer the due date for payment of the redemption amount of the Convertible Bonds of HK$176,400,000 to 17 March 2016.

In view of the fact that the Group did not have sufficient capital to repay the Convertible Bonds on the Maturity Date of the Convertible Bonds, on 16 March 2016, the Company as the borrower, Power Investment Holding Limited (the "Lender"), and Mr. Xie Haiyu ("Mr. Xie") (who is a substantial shareholder of the Company) as the guarantor, entered into a loan agreement (the "Loan Agreement") pursuant to which the Lender has agreed and granted a loan in the principal sum of HK$176,400,000 (the "Loan") to the Company for the sole purpose of settling the principal amount upon the redemption of the Convertible Bonds. The Loan is repayable in full on 31 March 2017 (the "Maturity Date of the Loan") with fixed interest of 8% per annum.

On 17 March 2016, the Convertible Bonds had been fully redeemed by the Company by using the Loan.

In preparing the consolidated financial statements for the year ended 31 December 2016, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that, as at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately HK$75,355,000. In addition, the Company has outstanding Loan with carrying amount being HK$184,055,000 (which included the Loan and the interest accrued by the Company to the Lender amounting to HK$7,655,000) as at 31 December 2016.

On 29 March 2017, the Lender, with the consent from the Company and Mr. Xie, assigned all its rights and obligations under the Loan Agreement to Cybernaut Greentech Investment Holding (HK) Limited ("Cybernaut"). Both Cybernaut and the Lender are members of a group of companies under the control of 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited)*.

* *English name for identification purposes only*

On 29 March 2017, Cybernaut, the Company and Mr. Xie (as guarantor of the Company's obligations under the Loan Agreement) also entered into a supplemental agreement ("Supplementary Loan Agreement") to amend and restate the terms of the Loan Agreement primarily to extend the Maturity Date of the Loan. Under the Supplementary Loan Agreement, should the Loan Capitalisation (as defined below) take place on or before 30 June 2017 (or such date as may be agreed by the parties), the remaining outstanding principal amount of the Loan of HK$40,400,000, with 8% fixed interest accrued thereon up to the date of repayment thereof and the 8% fixed interest accrued on the HK$136,000,000 up to completion of the Loan Capitalisation, shall be repayable on 31 March 2018. If the Loan Capitalisation is not completed by 30 June 2017 (or such date as may be agreed by the parties), the Loan in the entire principal amount of HK$176,400,000 together with interests accrued thereon will be repayable on 30 September 2017.

On 29 March 2017, Cybernaut and the Company entered into a conditional capitalisation agreement whereby the Company will issue 1,700,000,000 new ordinary shares of the Company of HK$0.005 each at the price of HK$0.08 per share to Cybernaut (the "Loan Capitalisation") and the consideration for the issue of such shares will be set off against HK$136,000,000 of the outstanding principal amount of the Loan.

The Loan Capitalisation is subject to further approval from the shareholders of the Company at an extraordinary general meeting to be held in May 2017 (the "EGM") and certain other conditions. The directors of the Company believe that it is highly probable that the Loan Capitalisation will be approved at the EGM.

Accordingly, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due for the foreseeable future. As a result, the directors of the Company prepared the consolidated financial statements on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied all of the Amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2016.

Amendments to HKAS 1 Disclosure initiative

The Group has applied the amendments to HKAS 1 Disclosure initiative for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

Furthermore, the grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to financial instruments was reordered. Other than the above presentation and disclosure change, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

The adoption of the other amendments to HKFRSs had no material effect on the results and financial position of the Group for the current and/or prior accounting years.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective to annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015.

4. SEGMENT INFORMATION

The executive directors of the Company have been identified as chief operating decision makers. The executive directors consider Mining Operations, held under the joint operation, is the principal activity of the Group and represents one single segment. Segment information is not reported to the executive directors of the Company for resources allocation and assessment purpose.

Segment revenue, results, assets and liabilities are therefore the same as the amounts presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position.

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	2016	2015
	HK$'000	*HK$'000*
Sales of tin concentrate	**375,176**	344,497
Sales of copper concentrate	**2,452**	—
	377,628	344,497

Geographical information

The Group's mining operations are located in Australia.

The revenue of the Group is derived from the customers from Australia.

As at 31 December 2016, non-current assets (excluding deposits and deferred tax assets) of the Group of HK$465,484,000 (2015: HK$279,214,000), HK$2,018,000 (2015: HK$2,645,000) and HK$301,000 (2015: HK$651,000) were located in Australia, the PRC and Hong Kong, respectively.

Information about sole customer

	2016	2015
	HK$'000	*HK$'000*
Yunnan Tin Australia TDK Resources Pty Limited ("YTATR")*	**377,628**	344,497

* YTATR is a subsidiary of non-controlling shareholder of a subsidiary of the Company.

5. OTHER EXPENSES

The amount comprises legal and professional fees of HK$4,389,000 (2015: HK$6,610,000) for the year ended 31 December 2016.

6. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Fair value change of held-for-trading investments	**(592)**	28
Reversal of impairment loss on other receivables	**175**	497
Net foreign exchange gain	**14,406**	8,537
Gain on disposal of property, plant and equipment	**78**	30
Loss on deregistration of a subsidiary	**—**	(18)
	14,067	9,074

7. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interests on:		
Obligations under finance leases	**974**	79
Unwinding of discount on provision for rehabilitation	**565**	236
Effective interest expense on Convertible Bonds	**679**	28,711
Interest on other borrowing	**7,655**	—
Other finance cost	**547**	—
	10,420	29,026

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2015: seven) Directors were as follows:

	Executive Directors *(note (iv))*				**Independent Non-Executive Directors** *(note (v))*			
	CHEUNG Wai Kuen	**NIE Dong**	**WANG Chuanhu**	**Dr. SHI Simon Hao**	**CHI Chi Hung Kenneth**	**DENG Shichuan**	**James MUNN**	**Total**
	HK$'000	***HK$'000*** *(note (iii))*	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the year ended 31 December 2016								
Fees	**600**	**1,787**	**252**	**1,512**	**189**	**189**	**189**	**4,718**
Other emoluments:								
Salaries, allowances, and benefits in kind	**650**	**1,102**	**—**	**—**	**—**	**—**	**—**	**1,752**
Contributions to retirement benefit scheme	**18**	**18**	**—**	**—**	**—**	**—**	**—**	**36**
Discretionary bonus *(note (i))*	**100**	**164**	**21**	**126**	**16**	**16**	**16**	**459**
Total emoluments	**1,368**	**3,071**	**273**	**1,638**	**205**	**205**	**205**	**6,965**

	Executive Directors *(note (iv))*				Independent Non-Executive Directors *(note (v))*			
	CHEUNG Wai Kuen	NIE Dong	WANG Chuanhu	Dr. SHI Simon Hao	CHI Chi Hung Kenneth	DENG Shichuan	James MUNN	Total
	HK$'000	*HK$'000* *(note (iii))*	*HK$'000*	*HK$'000* *(note (ii))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2015								
Fees	571	1,735	180	1,140	180	180	180	4,166
Other emoluments:								
Salaries, allowances, and benefits in kind	619	1,051	—	—	—	—	—	1,670
Contributions to retirement benefit scheme	16	18	—	—	—	—	—	34
Discretionary bonus *(note (i))*	—	—	—	—	—	—	—	—
Total emoluments	1,206	2,804	180	1,140	180	180	180	5,870

Notes:

(i) The bonus is discretionary and is determined by the remuneration committee by reference to the individual performance of the director.

(ii) Dr. Shi Simon Hao was appointed as non-executive director on 1 April 2014 and re-designated as executive director on 1 April 2015.

(iii) Mr. Nie Dong was the Chief Executive Officer of the Company for the years ended 31 December 2016 and 2015 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

(iv) The executive directors' emoluments shown above were paid for the services in connection with the management of the affairs of the Company and the Group.

(v) The independent non-executive directors' emoluments shown above were paid for the services as directors of the Company.

9. TAXATION (CHARGE) CREDIT

	2016	2015
	HK$'000	*HK$'000*
The taxation (charge) credit comprises:		
Deferred tax (charge) credit for the year	**(63,427)**	44,778

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the subsidiaries incorporated in Hong Kong have no assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under Australian tax law, the tax rate used for the year is 30% (2015: 30%) on taxable profits on Australian incorporated entities. No tax is payable on the profit for the year arising in Australia since the assessable profit is wholly absorbed by tax losses brought forward.

10. PROFIT (LOSS) FOR THE YEAR

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration	**2,300**	2,645
Cost of inventories recognised as an expense	**332,763**	356,209
Depreciation of property, plant and equipment	**78,846**	67,285
Operating lease rentals in respect of rented premises and leasehold land	**2,515**	2,204
Staff costs (including directors' emoluments (note 8))		
— Salaries and other benefits	**75,679**	64,013
— Contributions to retirement benefit schemes	**6,718**	4,490
	82,397	68,503

11. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Profit (loss) for the purposes of basic earnings (loss) per share:		
Profit (loss) for the year attributable to owners of the Company	**84,119**	(144,343)
Effect of dilutive potential ordinary shares:		
— Effective interest expense on Convertible Bonds	**679**	—
Earnings (loss) for the purpose of diluted earnings (loss) per share	**84,798**	(144,343)

	Number of shares	**Number of shares**
Number of ordinary shares for the purpose of basic earnings (loss) per share	5,130,000,000	5,130,000,000
Effect of dilutive potential ordinary shares:		
— Convertible Bonds	25,073,439	—
Number of ordinary shares for the purpose of diluted earnings (loss) per share	5,155,073,439	5,130,000,000

For the year ended 31 December 2015, the computation of diluted loss per share does not assume the conversion of the Company's outstanding Convertible Bonds during the conversion period in 2015 since their exercise would result in an decrease in loss per share.

12. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**53,276**	20,537

The Group allows the credit period of 3 working days for the 85% of the provisional value upon the delivery of goods and issue of provisional invoices. For the remaining 15%, the Group allows a credit period of 10 working days after mutual agreement on grade and weights of tin or copper concentrates with the customer and the issue of final invoice, which normally takes around 1 to 2 months after delivery of goods. The following is an aged analysis of trade receivables presented based on final invoice dates at the end of the reporting period.

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**53,276**	20,537

The Group has a policy of allowance for bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of trade receivables and on management's judgment including credit worthiness and past collection history of the customer.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. There is concentration of credit risk on a customer in both years. As at 31 December 2016 and 2015, the trade receivables are neither past due nor impaired with satisfactory credit quality under the management's assessment and with good past repayment record. The directors of the Company also believe that there is no impairment required for the trade receivables as at the end of the reporting period.

As at 31 December 2016 and 2015, the carrying amounts of the Group's trade receivables are all denominated in United States Dollar ("USD"), currency other than the functional currency of the respective group entity.

13. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
0–30 days	**21,262**	37,017
31–60 days	**20**	2,983
61–90 days	**744**	—
Total	**22,026**	40,000

The average credit period granted by creditors is 30 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

14. OTHER BORROWING

Included in other borrowing is an unsecured and interest-bearing loan in principal sum of HK$176,400,000 from Power Investment Holding Limited on 16 March 2016 for the sole purpose of settling the principal amount upon the redemption of the Convertible Bonds. The loan is repayable in full on 31 March 2017 with fixed interest of 8% per annum and denominated in HK$ which is the currency other than the function currency of the relevant entity. Subsequent to the end of the reporting period, the Company has entered into the Supplementary Loan Agreement and Capitalisation Agreement with the repayment terms and maturity date of the Loan revised. Details of the Supplementary Loan Agreement and Capitalisation Agreement are set out in note 1.

As at 31 December 2016, the carrying amount of the other borrowing was HK$184,055,000 which included accrued interest payable of HK$7,655,000.

15. DIVIDEND

The Directors do not recommend any payment of a final dividend (2015: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The total production volume of tin metal of the Renison underground mine in 2016 was 6,314 tonnes (2015: 6,817 tonnes), a decrease of approximately 7.4% year-on-year. The Group, having 50% interest in the Renison underground mine, is entitled to 3,157 tonnes of tin metal (2015: 3,408 tonnes) available for sale.

For the year end 31 December 2016, the Group recorded a turnover of HK$377,628,000, increased by 9.6% as compared with last year. The annual gross profit reached HK$44,865,000 (with gross profit margin of approximately 11.9%) compared with last year's gross loss of HK$11,712,000 (with gross loss margin of approximately 3.4%), which was mainly attributable to the significant increase in tin price during the year. The Group's audited consolidated profit attributable to the Company's shareholders for the year ended 31 December 2016 amounted to HK$84,119,000 (2015: loss of HK$144,343,000). The turn from loss to profit was mainly due to the significant increase in tin prices in the international market that led to a reversal of impairment loss of approximately HK$170,421,000.

During the year, USD against AUD rose slightly. Since the Group's sales of tin concentrate was denominated in USD, while the operating costs of the Renison underground mine were paid in AUD, the depreciation of AUD against USD had a positive effect on the Group's operating cash flow.

The Renison underground mine continued exploration in 2016 to discover potential tin resources and reserves. Under the comparison of the estimates as at 31 December 2016 and 31 December 2015 in respect of the mine's estimation reports, the total mineral resources of the Renison underground mine decreased by 10% year-on-year (from 12,875,000 tonnes to 11,531,000 tonnes) and the total ore reserves decreased by 15% year-on-year (from 6,673,000 tonnes to 5,691,000 tonnes). Abundant amount of resources and reserves will provide a solid base for production expansion.

The Group's management will continually make efforts to improve the productivity and efficiency of the Renison underground mine. In the second quarter of 2016, after the mining contract with the contractor expired, the Group through the Australian joint venture, Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"), established its own operation team. In order to ensure normal the mining operation, BMTJV retained some experts and hired staff of the contractor to carry out the mining activities, and also purchased or leased some new mining equipment.

In the second quarter of 2016, BMTJV's own operation team had completed the handover of the mining operation from the contractor. The change in the mining operation mode of the Group is significantly beneficial in reducing the mining cost per tonne and enhancing the production efficiency of the Rension underground mine. Tin production of 3,486 tonnes in the second half of 2016 represented a 23.3% increase compared to the tin production of 2,828 tonnes in the first half of 2016; ores mined increased by approximately 15.9%; and cash production cost decreased by 28%. To enhance the enthusiasm of the mining team, the Group reviewed and improved the remuneration and bonus system of the mining team to ensure that the system is fair and reasonable. In pursuit of high productivity, the mining team also strengthens safety awareness and measures to ensure the safety of mining personnel. The Group believes that the operating model of its own mining team will continue to help reduce the mining costs per tonne and enhance the production efficiency of the Renison underground mine.

The Group's performance is mainly affected by tin price, AUD exchange rate and production efficiency, which are factors to be carefully considered by investors.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue for the year ended 31 December 2016 amounted to approximately HK$377,628,000 (2015: HK$344,497,000), an increase of 9.6% from that of last year. The Group's revenue increased due to the significant increase in tin price during the year.

Cost of sales

Cost of sales mainly included direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$332,763,000 for the year ended 31 December 2016 (2015: HK$356,209,000), representing 88.1% of the revenue recorded in the corresponding year (2015: 103.4%).

Gross profit (loss)

The Group had a gross profit of approximately HK$44,865,000 (2015: a gross loss of approximately HK$11,712,000) with gross profit margin of 11.9% for the year ended 31 December 2016 (2015: gross loss margin of 3.4%).

Administrative expenses

Administrative expenses, which represented approximately 11.3% of the Group's revenue, increased by approximately 16.7% from HK$36,556,000 for the year ended 31 December 2015 to approximately HK$42,650,000 for the year ended 31 December 2016, mainly due to the increase in administrative staff costs.

Finance costs

Finance costs represented 2.8% of the Group's revenue in this year, decreased from HK$29,026,000 for the year ended 31 December 2015 to HK$10,420,000 for the year ended 31 December 2016. Such decrease was mainly due to the decrease in effective interest expenses on the Convertible Bonds as the Convertible Bonds had been redeemed during the year.

Profit (loss) for the year

The Group's audited consolidated profit attributable to the Company's shareholders for the year ended 31 December 2016 amounted to HK$84,119,000 (2015: loss attributable to the Company's shareholders of HK$144,343,000). The turn from loss to profit was mainly due to the significant increase in tin prices in the international market that leading to a reversal of impairment loss of approximately HK$170,421,000.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 31 December 2016, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$54,699,000 (2015: HK$1,276,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 57.0% as at 31 December 2016 (2015: 60.2%).

As at 31 December 2016, the Group had net current liabilities of approximately HK$75,355,000 (2015: HK$91,956,000). Current ratio as at 31 December 2016 was 0.8 (2015: 0.7). The bank and cash balance of the Group as at 31 December 2016 was approximately HK$160,499,000 (2015: HK$163,965,000).

The Company and certain subsidiaries of the Company have amounts due from and to group companies, bank balances, trade receivables, other payables and accruals, other receivables and deposits, other borrowings, sales and purchases denominated in foreign currencies which expose the Group to foreign currency risk.

During the year, the Group's revenue and trade receivables were mainly denominated in USD while the Group's expenses and trade payables were mainly denominated in AUD Dollars and HK$. The Group currently does not maintain a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

POSSIBLE SUBSCRIPTION

On 29 April 2015, the Company and 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited)* (the "Initial Proposed Subscriber") entered into a non-binding memorandum of understanding (the "Memorandum of Understanding") setting out the preliminary understandings of the parties in relation to the possible subscription of not less than 6,000,000,000 new

* *English name for identification purpose only*

ordinary shares of the Company ("Share(s)") at a tentative price of HK$0.25 per share (the "Possible Subscription") or convertible bonds of equivalent value by the Initial Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Initial Proposed Subscriber as designated by it).

During the course of negotiation of the terms of the Possible Subscription, Power Investment Holding Limited (the "Designated Proposed Subscriber"), was designated by the Initial Proposed Subscriber as the vehicle for entering into the subscription agreement, if the Possible Subscription materialised. The Designated Proposed Subscriber was a limited company incorporated in Hong Kong and was a member of the group of companies under the Initial Proposed Subscriber.

The Company was informed by the Designated Proposed Subscriber on 6 December 2016 that the Designated Proposed Subscriber decided not to proceed with the Possible Subscription. As such, the parties to the Memorandum of Understanding ceased negotiations regarding the Possible Subscription and the Memorandum of Understanding lapsed and is of no further effect.

CONVERTIBLE BONDS

Pursuant to the sale and purchase agreement in relation to the sales and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") dated 13 July 2010 ("Parksong S&P Agreement"), part of the consideration was settled by the issuance of convertibles bonds. On the completion date, being 4 March 2011, the Company issued zero-coupon convertible bonds with principal amount of HK$773,500,000 and maturity of five years. Since 6 March 2013, the outstanding principal amount of the Convertible Bonds was reduced to HK$176,400,000.

On 22 February 2013, an aggregate of 2,250,000,000 new Shares were issued by the Company upon the completion of a placing of new Shares and issue of new Shares by way of loan capitalisation under specific mandate (the "Issue"). As disclosed in the announcement of the Company dated 27 September 2012, the initial conversion price of the Convertible Bonds shall be subject to adjustments as a result of the completion of the Issue.

The adjustment to the conversion price for the Convertible Bonds from HK$1.47 per Share to HK$1.211 per Share has been approved by the shareholders of the Company at the extraordinary general meeting held on 18 May 2015. The adjusted conversion price of HK$1.211 per Share became effective retrospectively from 22 February 2013, being the date of completion of the Issue. On 21 May 2015, the listing committee of the Stock Exchange granted the approval for the listing of and permission to deal in the Shares to be issued upon conversion of the Convertible Bonds at the adjusted conversion price.

On 3 March 2016, at the request of the Company, the holder of the Convertible Bonds agreed in writing to defer the due date for payment of the redemption amount of the Convertible Bonds of HK$176,400,000 to 17 March 2016. The Company shall pay interest on the redemption amount at the rate of 8% per annum from 4 March 2016 to 17 March 2016 (or if earlier, the date of actual payment of the redemption amount by the Company) to the holder of the Convertible Bonds. The conversion period within which the holder of the Convertible Bonds might convert the Convertible Bonds into Shares has, however, expired on 3 March 2016 and has not been correspondingly extended.

On 16 March 2016, pursuant to the Loan Agreement entered into by the Company (as borrower), the Designated Proposed Subscriber (as lender) and Mr. Xie, a substantial shareholder of the Company (as guarantor), the Designated Proposed Subscriber agreed to grant the Loan in the principal sum of HK$176,400,000 to the Company for the sole purpose of full payment of the principal amount payable for the redemption of the Convertible Bonds.

On 17 March 2016, the redemption monies for the Convertible Bonds and all interests accrued thereon were fully paid, of which the sum of HK$176,400,000 (equivalent to the outstanding principal amount payable for the redemption of the Convertible Bonds) was paid directly out of the proceeds of the Loan by the Designated Proposed Subscriber on behalf of the Company and the interest accrued on the redemption monies from 4 March 2016 onwards was paid by the Company from its internal resources. The holder of the Convertible Bonds has surrendered the certificate of the Convertible Bonds to the Company for cancellation.

CHARGES OF ASSETS

As at 31 December 2016, our obligation under finance lease of HK$54,699,000 (2015: HK$1,276,000) was secured by property, plant and equipment of an amount of approximately HK$50,688,000 (2015: HK$1,308,000).

CONTINGENT LIABILITIES

As at 31 December 2016, except for the litigations as set out in the litigations section of this announcement, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

The Group had no capital commitment as at 31 December 2016 (2015: HK$603,000).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2016, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$100,181,000 (2015: HK$48,272,000). As at 31 December 2016, the Group's equity securities listed in Hong Kong amounted to approximately HK$3,920,000 (2015: HK$4,512,000).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal during the year 2016.

SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of the Scheme include, without limitation, employees, Directors, shareholders and any other eligible persons of the Group.

On 17 January 2011, the Company granted 110,000,000 share options to certain directors of the Company, employees and consultants of the Group. No consideration was received for the grant of the options. 50% of options are exercisable within 10 years from 18 July 2011 and 50% of options are exercisable within 10 years from 18 January 2012 at an exercise price of HK$1.704 per share. On and before 19 September 2011, all grantees agreed with the Company to cancel 80,000,000 share options granted to them and 30,000,000 share options lapsed due to the resignations of the relevant employees and consultants. No share options have been issued thereafter.

There is no share option granted or outstanding during the year ended 31 December 2016.

EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENT

On 29 March 2017, the Lender, with the consent from the Company and Mr. Xie, assigned all its rights and obligations under the Loan Agreement to Cybernaut.

On 29 March 2017, Cybernaut, the Company and Mr. Xie (as guarantor of the Company's obligations under the Loan Agreement) also entered into a supplemental agreement ("Supplementary Loan Agreement") to amend and restate the terms of the Loan Agreement primarily to extend the Maturity Date of the Loan. Under the Supplementary Loan Agreement, should the Loan Capitalisation (as defined below) take place on or before 30 June 2017 (or such date as may be agreed by the parties), the remaining outstanding principal amount of the Loan of HK$40,400,000, with 8% fixed interest accrued thereon up to the date of repayment thereof and the 8% fixed interest accrued on the HK$136,000,000 up to completion of the Loan Capitalisation, shall be repayable on 31 March 2018. If the Loan Capitalisation is not completed by 30 June 2017 (or such date as may be agreed by the parties), the Loan in the entire principal amount of HK$176,400,000 together with interests accrued thereon will be repayable on 30 September 2017.

On 29 March 2017, Cybernaut and the Company entered into a conditional capitalisation agreement whereby the Company will issue 1,700,000,000 new ordinary shares of the Company of HK$0.005 each at the price of HK$0.08 per share to Cybernaut (the "Loan Capitalisation") and the consideration for the issue of such shares will be set off against HK$136,000,000 of the outstanding principal amount of the Loan.

The Loan Capitalisation is subject to further approval from the shareholders of the Company at an extraordinary general meeting to be held in May 2017 (the "EGM") and certain other conditions. The directors of the Company believe that it is highly probable that the Loan Capitalisation will be approved at the EGM.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group employed approximately 28 employees (2015: 28). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and state-managed retirement benefit scheme in the People's Republic of China (the "PRC"). The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

MINES INFORMATION

Renison Tin Project

The Renison mine located in Tasmania has been one of the major hard rock tin mines in the world and is Australia's largest primary tin producer. Tin mining has been carried out at or near Renison since alluvial tin was discovered in 1890. Over the operational history, the mine was owned by several operators. In May 2003, the operation was suspended and BMT purchased the mine in 2004 and commenced redevelopment of the mine. After the acquisition of BMT by Metals X Limited ("Metals X"), the mine restarted in 2008. In March 2010, YTPAH completed the acquisition of 50% in BMT's assets. Under the joint venture agreement between YTPAH and BMT, an unincorporated joint venture ("JV") as a cooperative operator and an incorporated joint venture, BMTJV as a manager to the JV, were formed by both parties on a 50:50 basis. In March 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin Group (Holding) Company Limited ("Yunnan Tin PRC") indirectly holds 18% interest of YTPAH. The Company has participated in the management of the JV through the interest held in YTPAH. YTPAH is an indirectly owned subsidiary of the Company. BMT is a wholly-owned subsidiary of Metals X which is a company listed on the Australian Securities Exchange.

The Renison Tin Project is based on BMT's assets which consists of (1) the Renison Bell mine, concentrator and infrastructure ("Renison underground mine"), (2) the Mount Bischoff open-cut tin project ("Mount Bischoff") and (3) the Renison tailings retreatment project ("Rentails").

After the mining contract with the contractor 'Barminco' expired on 31 March 2016, BMTJV established its own operation team. In order to ensure a smooth handover of the mining operation, BMTJV extended the mining contract to 30 April 2016. For its own mining operation, BMTJV recruited a total of 103 employees, including 78 for mining (operation and supervision), 24 for mobile fleet maintenance and 1 for the store. Also, BMTJV purchased some new equipment and some suitable equipment from Barminco, amounting to approximately HK$13,721,000, and leased some new equipment amounting to approximately HK$118,561,000. From 1 May 2016 onwards, BMTJV started its own operation of mining activities.

As per the 2012 Australian Joint Ore Resources Committee ("JORC") reporting guidelines, a summary of the material information used to estimate the Mineral Resource of the Renison underground mine is as follows:

Drilling Data

The bulk of the data used in resource estimations at the Renison underground mine has been gathered from diamond core. Three sizes have been used historically the NQ2 (45.1mm nominal core diameter), LTK60 (45.2mm nominal core diameter) and LTK48 (36.1mm nominal core diameter), with NQ2 currently in use. This core is geologically logged and subsequently halved for sampling. Grade control holes may be whole-cored to streamline the core handling process if required.

Each development face/round is horizontally chip sampled at the Renison underground mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/ sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m in waste/mullock.

All data is spatially oriented by survey controls via direct pickups by the survey department. Drillholes are all surveyed downhole, currently with a GyroSmart tool in the underground environment at the Renison underground mine, and a multishot camera for the typically short surface diamond holes.

Drilling in the underground environment at Renison is nominally carried out on 40m x 40m spacing in the south of the mine and 25m x 25m spacing in the north of the mine prior to mining. A lengthy history of mining has shown that this sample spacing is appropriate for the Mineral Resource estimation process.

Sampling/Assaying

Drill core is halved for sampling. Grade control holes may be whole-cored to streamline the core handling process if required.

Samples are dried at 90ºC, then crushed to 3mm. Samples are then riffle split to obtain a sub-sample of approximately 100g which is then pulverized to 90% passing 75um. 2g of the pulp sample is then weighed with 12g of reagents including a binding agent, the weighed sample is then pulverized again for one minute. The sample is then compressed into a pressed powder tablet for introduction to the X-Ray fluoresce. This preparation has been proven to be appropriate for the style of mineralization being considered.

QA/QC is ensured during the sub-sampling stage process via the use of the systems of an independent NATA/ISO accredited laboratory contractor.

Geology/Geological Interpretation

The Renison underground mine is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. The Renison underground mine is the largest of the three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The

Renison underground mine area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-Cambrian siliciclastic and volcaniclastic rocks. At the Renison underground mine, there are three shallow-dipping dolomite horizons which host replacement mineralization. The Federal Orebody Mining which has occurred since the 1800s provides significant confidence in the current geological interpretation across all projects. No alternative interpretations are currently considered viable. Geological interpretation of the deposit was carried out using a systematic approach to ensure that the resultant estimated Mineral Resource figure was both sufficiently constrained, and representative of the expected sub-surface conditions. In all aspects of resource estimation, the factual and interpreted geology was used to guide the development of the interpretation.

The Renison underground mine has currently been mined over a strike length of >1,950m, a lateral extent of >1,250m and a depth of over 1,100m.

Database

Drillhole data is stored in a Maxwell's DataShed system based on the Sequel Server platform which is currently considered "industry standard".

As new data is acquired, it passes through a validation approval system designed to pick up any significant errors before the information is loaded into the master database. The information is uploaded by a series of Sequel routines and is performed as required. The database contains diamond drilling (including geotechnical and specific gravity data), face chip and sludge drilling data and some associated metadata.

Estimation and modelling techniques

All modelling and estimation work undertaken by BMTJV is carried out in three dimensions via Surpac Vision.

After validating the drillhole data to be used in the estimation, interpretation of the orebody is undertaken in sectional and/or plan view to create the outline strings which form the basis of the three dimensional orebody wireframe. Wireframing is then carried out using a combination of automated stitching algorithms and manual triangulation to create an accurate three dimensional representation of the sub-surface mineralized body.

Once the sample data has been composited, a statistical analysis is undertaken to assist with determining estimation search parameters, top-cuts etc. Variographic analysis of individual domains is undertaken to assist with determining appropriate search parameters which are then incorporated with observed geological and geometrical features to determine the most appropriate search parameters.

Grade estimation utilizes the ordinary kriging method. By-product and deleterious elements are estimated at the time of primary grade estimation.

The resource is then depleted for mining voids and subsequently classified in line with JORC guidelines utilizing a combination of various estimation derived parameters and geological/mining knowledge.

Estimation results are validated against primary input data, previous estimates and mining output. Good reconciliation between mine claimed figures and milled figures is routinely achieved.

Tonnage estimates are in dry tonnes.

Cut-Off Grade

The resource reporting cut-off grade is 0.7% Sn at the Renison underground mine based on economic assessment and current operating and market parameters.

Metallurgical and Mining Assumptions

Mining assumptions are based upon production results achieved in the currently operating Renison underground mine. The current underground mining methods employed at the Renison underground mine are considered applicable to the currently reported resource.

Metallurgical assumptions are based upon a significant history of processing Renison material at the currently operating Renison Underground Concentrator and supported by an extensive history of metallurgical test-work.

Classification

Resources are classified in line with JORC guidelines utilizing a combination of various estimation derived parameters, the input data and geological/mining knowledge. This approach considers all relevant factors and reflects the Competent Person's view of the deposit.

In general Measured material has been operationally developed, Indicated material is drilled to 40m centres in the south of the mine and 25m centres in the north of the mine, while Inferred material is drilled at greater spacings.

Estimated Tin and Copper Reserves and Resources

For the year ended 31 December 2016, 310 core holes with NQ2 for 27,310 meters of core holes in total has been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

As at 31 December 2016, the JORC compliant resources and reserves of the Renison underground mine are categorized as follows:

Updated Resource and Reserve Estimates for the Renison underground mine as at 31 December 2016

CATEGORY	TIN			COPPER		
	Tonnage *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Measured	1,437	2.06	29,605	1,360	0.44	6,004
Indicated	6,738	1.31	88,263	6,303	0.32	20,247
Inferred	3,356	1.42	47,748	3,057	0.22	6,760
Total	11,531	1.44	165,616	10,720	0.31	33,011
Reserves						
Proven	1,105	1.29	14,251	1,077	0.43	4,599
Probable	4,586	1.28	58,735	4,319	0.25	10,644
Total	5,691	1.28	72,986	5,396	0.28	15,243

During the year under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over the Renison underground mine. 508 meters of capital waste, 670 meters of capital decline and 2,283 meters of sill development were advanced during the period. 6,315 tonnes of tin metal was produced from the Renison underground mine and 0 tonne from Mount Bischoff, and processed ores averaged 1.24% Sn. No development or recovery production activities were carried out for Rentails.

For the year ended 31 December 2016, a total of approximately HK$103,478,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses of BMTJV for the year ended 31 December 2016

Included	*HK$'000*
Mining costs	257,220
Processing costs	137,576
Financing costs	1,249

Capital Expenditure for the year ended 31 December 2016

Addition	*HK$'000*
Property, Plant and Equipment	100,181
Exploration and Evaluation Assets	3,297
Total	103,478

The latest resource and reserve estimates for the Renison underground mine, Mount Bischoff and Rentails are summarized as follows:

Total Resource and Reserve Estimates as at 31 December 2016

	TIN			COPPER		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Renison underground mine	11,531	1.44	165,616	10,720	0.31	33,011
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	22,503	0.45	100,443	22,503	0.22	50,619
Total	35,701	0.77	275,040	33,223	0.25	83,630
Reserves						
Renison underground mine	5,691	1.28	72,986	5,396	0.28	15,243
Mount Bischoff	—	—	—	—	—	—
Rentails	21,628	0.45	96,516	21,628	0.23	48,687
Total	27,319	0.65	169,502	27,024	0.24	63,930

The above information is extracted from a Mineral Resources report and Ore Reserve estimate report compiled by BMTJV technical employees under the supervision of Mr. Colin Carter, who is a member of the Australian Institute of Geoscientists and Mr. Allan King B App Sc (Mining Engineering), M.AusIMM respectively. The above information of the report is updated to its preparation date as at 30 June 2016, and the report will be updated annually. From 1 July 2016 to 31 December 2016, approximately 379,070 tonnes of tin ore were extracted from the Renison underground mine.

Renison Underground Mine

The Renison underground mine is one of the underground tin mines in Australia and is located on the west coast of Tasmania, 140 kilometres ("km") south of the port of Burnie, 10km west of the mining town of Roseberry, and 16km northeast of Zeehan where BMTJV has an accommodation village with bulk of the workforce resided.

The mine is adjacent to the sealed Murchison Highway which connects the Renison underground mine with Burnie on the north coast. The Emu Bay railway also runs adjacent to the mine and gives access to Burnie's shipping facilities, although the Renison underground mine does not use the railway for its products, but rather loads the tin concentrate in 2 tonnes metal bins which are trucked to Burnie for containerizing and export.

Conventional up-hole longhole stoping methods have incorporated with up-hole rising utilizing a purpose built drill rig, thus eliminating the need for air-leg miners in underground mining. Though the Federal Deeps, Central Federal Bassett and Area 4 are focal areas of mining, small amounts of production were sourced from other areas to diversify the risk of having only 3 mining areas and to ensure that the isolated ore is mined economically (in conjunction with the "mainstay" ore). Apart from the Central Federal Bassett area being developed, opening up additional mining areas has reduced the site's risk profile arising from over-reliance on a certain area.

A new geological model was developed during the year that encompasses all of the Renison's resource and will enhance a full review of the mine.

Mount Bischoff

Mount Bischoff, acted as an incremental field to supplement the Renison ore, was mined by open-cast techniques and hauled by road-train to the Concentrator where it was blended with feedstock from the Renison underground mine until July 2010 when the open pit was suspended and placed into care and maintenance as the reserve had been depleted. As such, there is no fixed or updated plan on re-opening of Mount Bischoff within a considerable period of time. In view of this, BMTJV has not made any updated mining plan for Mount Bischoff since March 2011, and recognized an impairment loss of HK$40,162,000 on exploration and evaluation assets of this open-pit mine during the year ended 31 December 2012.

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at the Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at the Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital has been estimated to be approximately AUD213 million +/-15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to the Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin PRC production plants in the PRC in late April 2013, and had in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the year ended 31 December 2016, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

Renewal of mining lease

The Mining Lease in respect of the Renison underground mine has expired on 1 August 2016. YTPAH and BMT have already applied to Mineral Resources Tasmania of Tasmania Government for renewal of such lease before its expiry. As per section 98 (3)(a) of the Mineral Resources Development Act 1995, a lease continues to be in force if an application for renewal is made but not granted before it ceases to be in force, until the application is granted, refused or withdrawn, whichever occurs first. Up to the date of this announcement, the application is still in process and it is not yet granted, refused or withdrawn.

MANAGEMENT AGREEMENT

Prior to the completion of the acquisition of Parksong by the Group, an agreement dated 1 December 2010 was signed by Mr. Chan Kon Fung ("Mr. Chan") purportedly on behalf of YTPAH with YTATR, a subsidiary of Yunnan Tin PRC in relation to the engagement of YTATR for the provision of certain production and operation management services for the Renison Tin Project. The Group has been disputing the validity of such agreement and does not admit that such agreement is binding on YTPAH. YTATR has requested YTPAH to pay a fee for management services rendered by it up to 31 December 2015.

In order to facilitate the future cooperation between YTPAH and YTATR and settle all matters in relation to such agreement, YTPAH is now in the process of negotiating with YTATR for possible settlement and new management arrangements.

As YTPAH is indirectly owned as to 82% by Parksong and as to 18% by Yunnan Tin PRC, Yunnan Tin PRC is a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company. The proposed settlement and new management arrangements, if materialised, will constitute connected transaction or continuing connected transaction of the Company and the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules. Further announcement will be made by the Company on the development of this matter as and when appropriate.

LITIGATIONS

HCA 1357/2011

The legal proceedings involves the disputes regarding Parksong S&P Agreement in relation to the sale and purchase of the entire issued share capital of Parksong signed between Mr. Chan as the vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor. The completion of the acquisition of Parksong took place on 4 March 2011 ("Completion Date").

GPL and the Company were named as defendants in a writ of summons with a Statement of Claim dated 11 August 2011 filed by Mr. Chan. Under the Statement of Claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK$90,284,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 as Amended Defence and Counterclaim ("AD&C") and further amended on 31 August 2016 as Re-Amended Defence and Counterclaim ("Re-AD&C"). Under the Re-AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables under the Parksong S&P Agreement ("Payables"); (2) GPL and the Company are disputing the claim on cash call under Mr. Chan's Claim and further claim Mr. Chan for a sum of cash call of AUD476,393 ("Cash Call Issue"); (3) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to Yunnan Tin Hong Kong (Holding) Group Co., Limited ("YTHK"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; and/or further the said advanced sum of AUD16.3 million may be an amount owed to one of its shareholder, Yunnan Tin PRC, by YTHK which is not recorded in the relevant accounts (and thus amounts to an additional amount under Payables (as defined above)) which Mr. Chan is liable to compensate GPL for the said advanced sum of AUD16.3 million; (4) in breach of the Parksong S&P Agreement, Mr. Chan unilaterally caused an Australian subsidiary of YTHK, YTPAH, to enter into a tin concentrate package purchase underwriting agreement and a management agreement with YTATR for a period of life of the mine on 1 December 2010, without the consent of GPL; and (5) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. Under the Re-AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD476,393, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately HK$163,152,000 in total) and damages etc.

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 (and subsequently amended on 10 July 2012 and 5 June 2013) ("AR&DC") that (1) the third set of documents as pleaded in the AD&C reflected the correct position and understanding of

Mr. Chan, GPL and the Company in making the Parksong S&P Agreement, and (2) that the Payables due under the Parksong S&P Agreement was at the sum of AUD3,244,520.24, Mr. Chan has denied the claims made by GPL and the Company in the AD&C.

Mr. Chan and GPL and the Company attended a mediation on 16 August 2012 in relation to the disputes in the legal proceedings. At present, no settlement has been reached by the parties. The parties are proceeding with the legal proceedings.

For the AUD16.3 Million Issue, from June to December 2013, GPL and the Company had made and dealt with applications to obtain further evidence from Mr. Chan including discovery of further documents and interrogatories for further information. In July to August 2014, GPL and the Company made application (1) to amend the AD&C including the AUD16.3 Million Issue ("Defendant's Amendment Application"), (2) for joinder of parties ("Joinder Application") and (3) for expert evidence on various issues (as mentioned below) including the AUD16.3 Million Issue ("Expert Evidence Application"). Meanwhile, GPL and the Company also sought confirmation from Yunnan Tin PRC on the AUD16.3 Million Issue. Yunnan Tin PRC in July 2015 replied that Yunnan Tin PRC had contributed a loan of AUD16.3 million to YTHK. On 3 June 2015, Mr. Chan also made an application to amend the AR&DC on the AUD16.3 Million Issue ("Plaintiff's Amendment Application").

Apart from the above, It has come to the attention of the Company and GPL that a writ of summons with general endorsements under High Court Action number 3132/2016 was issued by Yunnan Tin PRC against Parksong, YTHK and Mr. Chan on 30 November 2016. The issue on such writ has been disclosed in the Company's announcement dated 2 December 2016.

For the issue on production shortfall, compensation is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong's advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for production shortfalls are in sums of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately HK$27,700,,000 in total). Under the Expert Evidence Application, GPL and the Company also submitted applications for expert evidence on the amount of compensation for production shortfall.

Apart from the above, requests for further expert evidence on the amount of receivables under Mr. Chan's Claim and the amount of Payables claimed by GPL and the Company were also made under the Expert Evidence Application.

Further to the initial hearing on 19 December 2014, the Plaintiff's Amendment Application and the Defendants' Amendment Application were first heard on 28-29 July 2015 with the result that the hearings of Joinder Application and the Expert Evidence Application had to be further adjourned to a date to be fixed. On 4 August 2016, a decision was handed down by the Court under which the

Plaintiff's Amendment Application was dismissed while the Defendants' Amendment Application was allowed. The hearing of all other applications including the Joinder Application and the Expert Evidence Application shall likely be fixed after a directions hearing fixed to be held on 20 April 2017..

The legal proceedings are now being considered with these additional evidence and related investigation and development. GPL is now making re-assessment of Mr. Chan's Claim and the compensation to be sought under the counterclaims of GPL and the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RETIREMENT BENEFIT SCHEMES

Other than operating a Hong Kong Mandatory Provident Fund Scheme and participating in the state-managed retirement benefit scheme in Australia and the PRC, the Group has not operated any other retirement benefit schemes for the Group's employees.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, save and except the designation disclosed herein below, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2016.

Pursuant to Code Provision A.2.1 of the Code, the role of Chairman and Chief Executive should be separate and should not be performed by the same individual. Since the resignation of former Chairman Mr. Chen Zhenliang, the position of Chairman has remained vacant and the Company is in the process of selecting a suitable candidate to fill the vacancy. In the meantime, Chief Executive Officer, Mr. Nie Dong, is also assuming duties of the Chairman. The Board is of the view that the current structure will not be detrimental to the balance of power between the Board and the management of the Company. Such balance of power is further assured by the following measures:

- the audit committee of the Company ("Audit Committee") shall only comprise independent non-executive Directors; and

- the independent non-executive Directors may at any time communicate with the external auditor of the Company to seek independent professional advices when they deem necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

AUDIT COMMITTEE

The Audit Committee meets with the Group's senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group and reports directly to the Board of Directors of the Company.

The Group's consolidated financial statements for the year ended 31 December 2016 have been reviewed by the Audit Committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from Friday, 2 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Thursday, 1 June 2017 will be entitled to attend and vote at the AGM. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 1 June 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on

Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the audited consolidated financial statements of the Group for the year ended 31 December 2016 which has included paragraphs of emphasis of matter regarding material uncertainty related to going concern.

"OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the consolidated financial statements which indicates that the Company's current liabilities exceeded its current assets by approximately HK$75,355,000. As stated in note 1 to the consolidated financial statements, this event or condition, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

PUBLICATION OF ANNUAL RESULTS

This preliminary announcement is published on the website of The Hong Kong Exchanges and Clearing Limited (*http://www.hkexnews.hk*) and the Company (*http://www.lsea-resources.com*). The annual report will be dispatched to shareholders and will be available on the website of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

By the order of the Board
L'sea Resources International Holdings Limited
NIE DONG
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2017

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Mr. CHEUNG Wai Kuen, Mr. NIE Dong, Mr. WANG Chuanhu and Dr. SHI Simon Hao and three independent non-executive directors, namely, Mr. CHI Chi Hung, Kenneth, Mr. DENG Shichuan and Mr. James MUNN.