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 2012

The board of 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 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012** ***HK$'000***	2011 *HK$'000* (restated)
Continuing operations:			
Revenue	*4*	**399,261**	342,754
Cost of sales		**(463,621)**	(410,977)
Gross loss		**(64,360)**	(68,223)
Interest income		**1,949**	2,302
Other income		**86**	–
Administrative expenses		**(43,672)**	(96,850)
Other expenses		**(20,191)**	(11,234)
Other gains and losses	*6*	**(124,545)**	(846,673)
Finance costs		**(83,129)**	(56,250)
Loss before taxation		**(333,862)**	(1,076,928)
Taxation credit	*7*	**70,401**	285,841
Loss for the year from continuing operations		**(263,461)**	(791,087)

	Notes	**2012** **HK$'000**	2011 HK$'000 (restated)
Discontinued operations:			
Loss for the year from discontinued operations		**–**	(60,253)
Loss for the year	9	**(263,461)**	(851,340)
Other comprehensive income for the year:			
Exchange difference arising on translation to presentation currency		**8,920**	10,055
Release of translation reserve to profit or loss upon disposal of subsidiaries		**–**	(13,999)
		8,920	(3,944)
Total comprehensive expense for the year		**(254,541)**	(855,284)
Loss for the year attributable to owners of the Company			
— from continuing operations		**(236,820)**	(673,237)
— from discontinued operations		**–**	(60,253)
		(236,820)	(733,490)
Loss for the year attributable to non-controlling interests			
— from continuing operations		**(26,641)**	(117,850)
		(263,461)	(851,340)
Total comprehensive expense attributable to:			
Owners of the Company		**(228,450)**	(737,901)
Non-controlling interests		**(26,091)**	(117,383)
		(254,541)	(855,284)
Loss per share			
From continuing and discontinued operations:			
Basic and diluted (HK cents)	10	**(8.22)**	(25.47)
From continuing operations:			
Basic and diluted (HK cents)	10	**(8.22)**	(23.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**272,499**	274,223
Mining rights		**113,446**	158,320
Exploration and evaluation assets		**298,379**	331,547
Deposits		**16,571**	16,364
		700,895	780,454
Current assets			
Inventories		**18,511**	18,025
Trade receivables	*11*	**46,184**	26,313
Other receivables, prepayments and deposits		**49,124**	87,720
Held-for-trading investments		**19,105**	18,574
Derivative financial instruments		**–**	92,244
Deposits paid for repurchase of convertible bonds		**150,000**	–
Tax recoverable		**4,134**	–
Bank balances and cash		**50,654**	126,083
		337,712	368,959
Current liabilities			
Trade payables	*12*	**37,475**	39,153
Other payables, deposits received and accruals	*13*	**113,257**	104,655
Financial liabilities at fair value through profit or loss ("FVTPL")		**–**	20,400
Amount due to a non-controlling shareholder of a subsidiary		**9,624**	–
Amount due to a joint venturer		**18,087**	–
Amounts due to related companies		**11,155**	–
Loan from a director		**152,736**	–
Convertible bonds		**328,483**	–
Obligations under finance leases		**14,982**	12,581
Tax payable		**–**	20,531
		685,799	197,320
Net current (liabilities) assets		**(348,087)**	171,639
Total assets less current liabilities		**352,808**	952,093

	2012 *HK$'000*	2011 *HK$'000*
Capital and reserves		
Share capital	**14,400**	14,400
Reserves	**153,741**	393,326
Equity attributable to owners of the Company	**168,141**	407,726
Non-controlling interests	**20,693**	46,784
Total equity	**188,834**	454,510
Non-current liabilities		
Deferred taxation	**19,048**	88,384
Convertible bonds	**99,904**	361,026
Obligations under finance leases	**27,486**	30,462
Provision for rehabilitation	**17,536**	17,711
	163,974	497,583
	352,808	952,093

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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 Company acts as an investment holding company and provides corporate management services.

Pursuant to an ordinary resolution passed by the shareholders at an extraordinary general meeting of the Company held on 20 November 2012, the name of the Company was changed from Goodtop Tin International Holdings Limited 萬佳錫業國際控股有限公司 to L'sea Resources International Holdings Limited 利海資源國際控股有限公司. The change of the name became effective on 10 January 2013.

In previous years, the Company's functional currency was Hong Kong dollars ("HK$"). The directors of the Company had evaluated the underlying investment activities and strategy of the Company after the disposal of Vitar Insulation Holdings Limited ("Vitar Insulation") in December 2011 and have determined that the functional currency of the Company changed from HK$ to Australia Dollars ("AUD"). The effects of the change of the functional currency of the Company had been accounted for prospectively during the year ended 31 December 2011.

The consolidated financial statements are presented in 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In the preparation of the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the Group's net current liabilities of approximately HK$348,087,000 as at 31 December 2012. In the opinion of the directors of the Company, the liquidity of the Group has been improved, after taking into consideration of the following events after 31 December 2012:

(a) On 27 September 2012, the Company and a placing agent entered into placing agreement pursuant to which the Company has agreed to place 1,804,000,000 shares at a placing price of HK$0.2 per share. On 22 February 2013, the Company completed the placing of its shares to not less than six placees and the net proceeds from the placing is approximately HK$355.39 million.

(b) On 27 September 2012, the Company entered into a loan capitalisation agreement with Mr. Xie Hai Yu ("Mr. Xie"), the director of the Company, pursuant to which Mr. Xie agreed to subscribe for an aggregate of 446,000,000 new shares of the Company at a subscription price of HK$0.2 per share by capitalising HK$89,200,000 of the loan outstanding owed by the Group to Mr. Xie. On 22 February 2013, the capitalisation of the loan from a director was completed and 446,000,000 new shares were allotted and issued to Mr. Xie.

(c) On 19 September 2012, the Company entered into a sale and purchase agreement with certain bondholders to repurchase the convertible bonds with principal amount of HK$580,000,000 at a consideration of HK$300,000,000 by cash. A non-refundable deposit of HK$150,000,000 was paid to the bondholders on the same date and the remaining HK$150,000,000 would be settled by instalments on various dates until 19 March 2013. On 5 March 2013, the Company settled the last instalment and completed the repurchase of convertible bonds with principal amount of HK$580,000,000 from the bondholders, and accordingly the carrying amount of the convertible bonds to be repurchased amounting to HK$328,483,000 as at 31 December 2012 was then derecognised.

Based on the above, the directors of the Company believed that the Group has sufficient funds to finance its current working capital requirements and the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying asset;
Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle[1]
Amendments to HKFRS 1	Government loans[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

4. REVENUE

Revenue represents the net amounts received and receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Specifically, the Group's operating and reportable segments under HKFRS 8 are as follows:

(a) manufacturing and sales of insulation and heat resistance materials ("Manufacturing");

(b) trading of copper and silicone rubber conducted by Vitar Insulation and its subsidiaries ("Vitar Trading");

(c) metal tin mining and sales of tin and copper concentrates ("Mining"); and

(d) trading of metal resources ("Trading").

Manufacturing operation and Vitar Trading operation were discontinued during the year ended 31 December 2011 through disposal of subsidiaries. During the year ended 31 December 2012, the directors of the Company decided to cease its Trading business in order to focus its business in Mining. The segment information reported below does not include financial information in respect of these discontinued operations. Accordingly, the comparatives of segment information have been restated.

Moreover, the Group started sales of copper concentrate, which is a by product in mining of the tin ore, during the year ended 31 December 2012. Management considered that sales of copper concentrate are also included in the segment of Mining.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

Continuing operations

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Mining segment revenue	**399,261**	342,754
Segment loss	**(216,154)**	(928,415)
Unallocated corporate expenses	**(30,797)**	(96,673)
Gain on repurchase of convertible bonds	**2,217**	–
Fair value change of held-for-trading investments	**(12,371)**	–
Unallocated finance costs	**(76,757)**	(51,840)
Loss before taxation	**(333,862)**	(1,076,928)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment loss during the year represents loss from segment without allocation of corporate expenses, gain on repurchase of convertible bonds, fair value change of held-for-trading investments and certain finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

At 31 December 2012

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Assets		
Continuing operations		
Mining segment	**825,531**	1,026,189
Property, plant and equipment	**7,107**	4,810
Other receivables, prepayment and deposits	**30,291**	56,426
Held-for-trading Investments	**19,105**	18,574
Deposits paid for repurchase of convertible bonds	**150,000**	–
Bank balances and cash	**6,573**	9,589
Assets relating to discontinued operations	**–**	33,825
Consolidated assets	**1,038,607**	1,149,413
Liabilities		
Continuing operations		
Mining segment	**136,427**	124,559
Other payables, deposits received and accruals	**102,020**	100,534
Amounts due to related companies	**11,155**	–
Loan from a director	**152,736**	–
Convertible bonds	**428,387**	361,026
Financial liabilities at FVTPL	**–**	20,400
Deferred tax liabilities	**19,048**	88,384
Consolidated liabilities	**849,773**	694,903

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property, plant and equipment, deferred tax assets, certain other receivables, prepayments and deposits, held-for-trading investments, deposits paid for repurchase of convertible bonds and certain bank balances and cash.

- all liabilities are allocated to operating and reportable segments other than certain other payables, amounts due to related companies, loan from a director, convertible bonds, deferred tax liabilities and financial liabilities at FVTPL.

Other segment information

For the year ended 31 December 2012

Continuing operations

Amounts included in the measure of segment profit or loss or segment assets:

	Mining *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Additions to property, plant and equipment	**81,655**	**752**	**82,407**
Depreciation of property, plant and equipment	**72,383**	**3,175**	**75,558**
Amortisation of mining rights	**71,510**	**–**	**71,510**
Impairment loss recognised on exploration and evaluation assets	**40,162**	**–**	**40,162**
Loss on disposal of property, plant and equipment	**8,778**	**–**	**8,778**

For the year ended 31 December 2011 (restated)

Continuing operations

Amounts included in the measure of segment profit or loss or segment assets:

	Mining *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to property, plant and equipment	108,343	599	108,942
Depreciation of property, plant and equipment	49,141	2,569	51,710
Amortisation of mining rights	86,591	–	86,591
Impairment loss recognised on mining rights	226,448	–	226,448
Impairment loss recognised on property, plant and equipment	48,688	–	48,688
Impairment loss recognised on exploration and evaluation assets	477,059	–	477,059
Gain on disposal of property, plant and equipment	(2,547)	–	(2,547)

Revenue from major products

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

	2012 *HK$'000*	2011 *HK$'000* (restated)
Sales of tin concentrate	**387,128**	342,754
Sales of copper concentrate	**12,133**	–
	399,261	342,754

Geographical information

The Group's Mining operations are located in Australia.

Based on the shipping or delivery documents of each sales transaction, the management has categorised the revenue from continuing operations by location of customers as follows:

	Revenue from external customers	
	2012	2011
	HK$'000	*HK$'000*
		(restated)
Australia	**399,261**	342,754

As at 31 December 2012, non-current assets of the Group of HK$677,217,000 (2011: HK$754,549,000), HK$4,253,000 (2011: HK$4,730,000) and HK$2,854,000 (2011: HK$4,811,000) were located in Australia, People's Republic of China (the "PRC") and Hong Kong, respectively. These non-current assets excluded deposits.

Information about major customers

	2012	2011
	HK$'000	*HK$'000*
Yunnan Tin Australia TDK Resources Pty Limited ("YT TDK")	**387,128**	296,040
Yuntinic (Hong Kong) Resources Company Limited ("Yuntinic")	**12,133**	–
Yunnan Tin Company Limited	**–**	46,714
	399,261	342,754

6. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Fair value change of derivative financial instruments	**(93,340)**	(121,980)
Fair value change of financial liabilities at FVTPL	**20,400**	17,400
Fair value change of held-for-trading investments	**(12,371)**	–
Impairment loss recognised on exploration and evaluation assets	**(40,162)**	(477,059)
Impairment loss recognised on mining rights	**–**	(226,448)
Impairment loss recognised on property, plant and equipment	**–**	(48,688)
Net foreign exchange gain	**7,489**	7,555
Gain on early redemption on convertible bonds	**2,217**	–
(Loss) gain on disposal of property, plant and equipment	**(8,778)**	2,547
	(124,545)	(846,673)

7. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
The credit comprises:		
Current tax expenses in Australia for the year	**–**	(15,182)
Deferred tax credit for the year	**70,401**	301,023
	70,401	285,841

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% on taxable profits on Australian incorporated entities.

8. DIVIDEND

No dividend was paid or proposed by the directors in respect of the years ended 31 December 2012 and 2011.

9. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss for the year has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	**3,226**	2,150
Cost of inventories recognised as an expense	**463,621**	410,977
Depreciation of property, plant and equipment	**75,558**	51,710
Amortisation of mining rights	**71,510**	86,591
Operating lease rentals in respect of rented premises, equipment and leasehold land	**4,070**	717
Staff costs (including directors' emoluments)		
— Salaries and other benefits	**66,220**	49,199
— Contributions to retirement benefit schemes	**5,881**	7,550
— Share option expenses	**–**	70,131
	72,101	126,880

10. LOSS PER SHARE

The calculation of the basic loss per share for each of the two years ended 31 December 2012 and 2011 is based on the consolidated loss attributable to the owners of the Company for the respective years and on the number of shares as follows:

	2012	2011
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**2,880,000,000**	2,880,000,000

The incremental shares from assumed exercise of conversion of convertible bonds are excluded in calculating the diluted loss per share from the continuing and discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing and discontinued operations.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Loss for the year attributable to owners of the Company	**(236,820)**	(733,490)
Less: Loss for the year from discontinued operations	**–**	60,253
Loss for the purpose of basic earnings per share from continuing operations	**(236,820)**	(673,237)

From discontinued operations

The basic loss per share for the discontinued operations (as restated) for the year ended 31 December 2011 was HK2.09 cents per share, based on the loss for the year from the discontinued operations of approximately HK$60,253,000 and the denominators detailed above for the basic loss per share.

11. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**46,184**	26,313

For Mining operation, the Group allows a credit period of 10 days after mutual agreement on grade and weights of tin concentrates with customers. The following is an aged analysis of trade receivables presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2012	2011
	HK$'000	*HK$'000*
0–30 days	**46,184**	26,313

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 each 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. Trade receivables that are neither past due nor impaired are those debtors with satisfactory credit quality under the management's assessment and with good past repayment record. The directors also believe that there is no impairment required in excess of the allowance for bad and doubtful debts.

Movement in the allowance for bad and doubtful debts

	2012	2011
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	8,353
Impairment losses recognised on trade receivables	**–**	17,583
Eliminated on disposal of subsidiaries	**–**	(25,936)
Balance at end of the year	**–**	–

12. 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:

	2012	2011
	HK$'000	*HK$'000*
0–30 days	**37,352**	38,889
31–60 days	**123**	264
Total	**37,475**	39,153

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

13. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Net payables to the Vendor *(note)*	**99,282**	97,614
Accruals and other payables	**13,975**	7,041
Total	**113,257**	104,655

Note: Pursuant to the sale and purchase agreement in acquisition of Parksong Mining and Resource Recycling Limited ("Parksong") ("Parksong S&P Agreement") as at 4 March 2011 ("Date of Completion"), all payables of Parksong and its subsidiaries other than jointly controlled assets are borne by an independent third party (the "Vendor") and all receivables of Parksong and its subsidiaries other than jointly controlled assets are received by the Vendor. The amount represented the net payables to the Vendor based on the financial information of Parksong and its subsidiaries other than jointly controlled assets as at Date of Completion. The amount should be settled by cash.

14. EVENTS AFTER THE REPORTING PERIOD

On 22 February 2013, the Company completed the placing of its shares to not less than six placees and the net proceeds from the placing is approximately HK$355.39 million and 446,000,000 new shares were allotted and issued to Mr. Xie upon the capitalisation of loan from a director of HK$89,200,000. Details are set out in note 2.

On 5 March 2013, the Company completed the repurchase of convertible bonds with principal amount of HK$580,000,000 from the bondholders. Details are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In 2012, the European debt crisis and US fiscal cliff muted the international economy. The global economy's recovery has been slower than expected. Tin price raised at the beginning of the year, and dropped to a certain extent afterward. The price maintained below USD20,000 per tonne from May to September and resumed an upward trend in the fourth quarter with around USD23,500 per tonne at the end of the year. The volatility of tin price has adversely affected the valuation of Renison mine.

As the Group's major business, the total production volume of tin contained in concentrates of Renison underground mine in the year 2012 was 5,849 tonnes (2011: 5,012 tonnes), an increase of approximately 16.7% as compared to the year 2011. Renison mine contributed approximately HK$399.3 million to the Group's revenue for 2012 (2011: HK$342.8 million) with an increase of approximately 16.5%.

Loss attributable to the Company's shareholders for the year ended 31 December 2012 amounted to approximately HK$236.8 million (2011: HK$733.5 million), a decrease of approximately 67.7%. It was mainly due to the fact that no impairment losses on mining structure and mining rights was considered necessary in 2012.

PROSPECT

From a macro view, the international economy of the year 2013 is expected to be slightly better than that of the last year. The European debt crisis and US fiscal cliff eased to different extent. In the PRC, positive fiscal policies and stable monetary policies will continue in 2013, as the PRC government is expected to maintain a steady and moderate economic growth.

International Tin Research Institute pointed that the consumption of tin may slow down, the increase of global tin production is much less and the production from new mines is lacking. In the next three to five years, the global tin market is expected to be in shortage. In the future, it is expected to have new applications of tin in lead-free soldering, lithium ion battery, solar cells, fuel catalysts and so on. The tin price will then be expected to stay well. The Group still remains optimistic on the long-term prospect of the tin industry.

FINANCIAL REVIEW

The figures adopted in this financial review represent the sum of the figures of continued operations only and the last year corresponding figures have been restated.

Revenue

The Group's audited consolidated revenue and loss attributable to the Company's shareholders for the year ended 31 December 2012 amounted to approximately HK$399.3 million (2011: HK$342.8 million) and HK$236.8 million (2011: HK$733.5 million) respectively, an increase of 16.5% and a decrease of 67.7% from that of last year respectively. The Group's revenue increased due to the increase in the total production volume of tin concentrates of Renison underground mine in the year 2012 and tin price resumed upward in the fourth quarter of 2012. The loss attributable to the Company's shareholders decreased was due to the decrease in the impairment of the mining rights in the year 2012.

Cost of sales

Cost of sales includes mainly direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$463.6 million for the year ended 31 December 2012 (2011: HK$411.0 million), representing 116.1% of the revenue recorded in the corresponding year (2011: 119.9%). The increase in cost of sales is mainly due to the increase in costs incurred to the mining contractor in relation to the increase in tin production volume.

Gross profit and margin

The Group had a gross loss margin at 16.1% for the year ended 31 December 2012 (2011: 19.9%) and made a slight improvement in the efficiency of production during the year under review.

Other gains and losses

The Group recorded other losses of approximately HK$124.5 million for the year ended 31 December 2012 (2011: HK$846.7 million). The other losses for the year was mainly as a result of impairment loss of exploration and evaluation assets, loss on fair value change of derivative financial instruments and held-for-trading investments. The other losses substantially decreased in this year because impairment loss recognized was large in the previous year, amounted to HK$752.2 million but impairment loss of only HK$40.2 million was charged to profit and loss this year.

Administrative expenses

Administrative expenses, which represented approximately 10.9% of the Group's revenue, decreased by approximately 54.9% from HK$96.9 million for the year ended 2011 to approximately HK$43.7 million for the year ended 31 December 2012. The decrease was mainly attributable to the fact that share-based payment expenses, additional professional fee on acquisition and related expenses were incurred last year but there was no such extra costs incurred during the year under review.

Finance costs

Finance costs representing 20.8% of the Group's revenue, increased from HK$56.3 million for the year ended 31 December 2011 to HK$83.1 million for the year ended 31 December 2012. Such increase mainly due to the effective interest expenses on the convertible bonds mentioned below.

Pursuant to Parksong S&P Agreement, part of the consideration is settled by the issuance of convertible bonds. On the Completion Date, the Company issued zero-coupon convertible bonds with principal amount of HK$773.5 million with maturity of five years. The convertible bonds were denominated in HK$ and entitled the holders to convert them into shares of the Company at any time within 5 years from the date of issue of the convertible bonds, at the conversion price of HK$1.47 per share. If the convertible bonds had not been converted, they would be redeemed on 3 March 2016 at par.

The convertible bonds contained two components, liability and equity elements. The equity element was presented in equity under the heading of convertible bonds equity reserve. The effective interest rate of the liability component was 20.12% at the date of initial recognition.

On 19 September 2012, the Company, as purchaser, entered into the Agreement with Mr. Xie, Sun Hung Kai Investment Services Limited and Sun Hung Kai Structured Finance Limited as the vendors (collectively "SHK"), SHK being the bondholders of HK$580 million face value of convertible bonds representing approximately 76.7% of the amount of all outstanding convertible bonds issued by the Company (the "Agreement"), pursuant to which the Company, after arm's length negotiation, has agreed to acquire and SHK have agreed to sell HK$580 million face value of the convertible bonds (the "Repurchase") for HK$300 million (the "Consideration"). Mr. Xie has agreed to guarantee all the obligations of the Company under the Agreement.

The Consideration was to be payable to SHK in the following manner:

(a) a non-refundable deposit of HK$150 million on or before 19 September 2012; and

(b) the balance HK$150 million on or before 19 December 2012, with an option to extend for up to 3 months provided that if an extension is requested, the following instalments will be made:

    (i) Instalment 1 (if applicable) — in aggregate a non-refundable HK$25 million (no later than 19 January 2013) payable to SHK;

    (ii) Instalment 2 (if applicable) — in aggregate a non-refundable HK$25 million (no later than 19 February 2013) payable to SHK; and

    (iii) Instalment 3 (if applicable) — in aggregate a non-refundable HK$100 million (no later than 19 March 2013) payable to SHK.

Any such extension shall be subject to the Company paying SHK an upfront interest payment on the due date of each instalment calculated at a rate of 2% per month on the balance of Consideration outstanding at the time of the extension.

On 19 December 2012, the Board announced that the Company has paid a non-refundable deposit of HK$150 million to SHK on 19 September 2012 and the balance Consideration of HK$150 million to be paid to SHK on or before 19 December 2012 under the Repurchase would be extended in accordance with the terms therein.

On 5 March 2013, the Consideration of HK$300 million with interest of HK$7,443,342 were fully paid to SHK and the Repurchase was completed in accordance with the terms and conditions of the Agreement. The convertible bonds repurchased were cancelled on the same day.

Taxation

The Group recorded net deferred tax credit of approximately HK$70.4 million (2011: HK$301.0 million). For the year ended 31 December 2011, the Group recorded income tax expense of approximately HK$15.2 million.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. At 31 December 2012, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$42.5 million (2011: HK$43.0 million). The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 4.1% as at 31 December 2012 (2011: 3.7%).

As at 31 December 2012, the Group had net current liabilities of approximately HK$348.1 million (2011: net current assets HK$171.6 million). Current ratio as at 31 December 2012 was 0.5 (2011: 1.9). The bank and cash balance of the Group as at 31 December 2012 was approximately HK$50.7 million (2011: HK$126.1 million).

Certain subsidiaries of the Company have amounts due from and to group companies, bank balances, trade receivables, convertible bonds, loan from a director, amounts due to related companies, sales and purchases denominated in foreign currencies, other than the functional currency of respective group companies which expose the subsidiaries to foreign currency risk.

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.

Loan capitalisation

On 19 September 2012, the Board announced that Mr. Xie as the lender has made an unsecured loan of HK$150 million at a rate of 3% per annum to Parksong to facilitate the Repurchase. The Loan was drawn down fully on 19 September 2012 and was subsequently novated to the Company on 27 September 2012.

On 27 September 2012, the Company entered into a conditional loan capitalisation agreement with Mr. Xie pursuant to which Mr. Xie has conditionally agreed to subscribe for an aggregate of 446,000,000 new shares at a subscription price of HK$0.2 per share by capitalising HK$89,200,000 of the amount outstanding under the loan owed by the Group to Mr. Xie ("Loan Capitalisation Agreement"). As at the date of the Loan Capitalisation Agreement, the Group was indebted to Mr. Xie in the sum of approximately HK$151.5 million.

On 22 February 2013, all conditions of the Loan Capitalisation have been fulfilled and completed. An aggregate of 446,000,000 Loan Capitalisation shares have been allotted and issued to Mr. Xie.

Placing

On 27 September 2012 (after trading hours), the Company entered into a placing agreement ("Placing Agreement") with Kingston Securities Limited (the "Placing Agent"), pursuant to which, the Company conditionally agreed to place, through the Placing Agent, in aggregate 1,804,000,000 shares ("Placing Shares") by a maximum of two tranches (in which the first tranche shall not be more than 1,304,000,000 Placing Shares and the second tranche shall not be more than 500,000,000 Placing Shares) on a best endeavours basis, to not less than six placees at a price of HK$0.2 per Placing Share for each tranche of the Placing.

On 22 February 2013, all conditions of the placing have been fulfilled and completed in accordance with the terms and conditions of the Placing Agreement. An aggregate of 1,804,000,000 Placing Shares have been successfully placed by the Placing Agent to not less than six placees. The net proceeds from the Placing amount to approximately HK$355.4 million and the Company intends to utilize the aforementioned net proceeds to finance the Repurchase, the repay the loan balances to Mr. Xie for future potential investments and general working capital purpose.

CHARGES OF ASSETS

As at 31 December 2012, our obligation under finance lease of HK$42.5 million was secured by property, plant and equipment of an amount of approximately HK$49.9 million (2011: HK$50.2 million).

CONTINGENT LIABILITIES

As at 31 December 2012, 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 HK$1,345,000 capital commitment as at 31 December 2012 (2011: HK$667,000).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2012, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$82.4 million (2011: HK$128.0 million). As at 31 December 2012, the Group's equity securities listed in Hong Kong amounted to approximately HK$19.1 million (2011: HK$18.6 million).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisition and disposal during the year under review.

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 Scheme include, without limitation, employees, Directors, shareholder and any other eligible persons of the Group. Up to 31 December 2012, no share option has been granted or agreed to be granted to any person under the Scheme.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group employed approximately 36 employees (2011: 31). 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 stated-owned retirement benefit scheme in the PRC. The employees for mining operation are employed by Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited (" BMT"). These BMTJV employees 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

Estimated Tin Reserves and Resources

For the year ended 31 December 2012, 31,476 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. In addition, some near-surface resources had been added to the overall resources, which amounted to a total resource of 152,187 tonnes contained in tin metals from 9,715,452 tonnes ores averaging 1.57% Sn.

As of 31 December 2012, the JORC compliant resources and reserves of Renison mine are categorized as follows:

Upgraded Resource and Reserve Estimates for Renison mine as at 31 December 2012

Category	**Tonnage** *(kt)*	**Grade%** *Sn*	**Contained** *Sn(t)*
Resources			
Measured	1,180	1.99%	23,524
Indicated	6,146	1.45%	89,393
Inferred	2.314	1.64%	37,997
Total	9,640	1.57%	150,914
Reserve			
Proven	218	1.55%	3,377
Probable	3,742	1.38%	51,649
Total	3,960	1.39%	55,026

During the year under review, an extensive exploration and resources development drilling campaign targeting both surface and underground targets was conducted over Renison mine. 1,506 meter of capital waste, 620 meter of capital decline and 3,119 meter of sill development were advanced during the year. 5,849 tonnes of tin metal was produced from Renison mine and Mount Bischoff mine from 0 tonne processed ores averaging 1.50% Sn. No major exploration, development or production activities were carried out for Retails mine.

For the year ended 31 December 2012, a total of HK$109,905,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Capital Expenditure for the year ended 31 December 2012

Addition	*HK$'000*
Property, plant and Equipments	82,407
Mining rights	7,366
Exploration and evaluation assets	20,132
Total	109,905

The latest resource and reserve estimates for Renison, Mount Bischoff and Retails are summarized as follows:

Total Resource and Reserve Estimates as at 31 December 2012

Category	**Tonnage** *(kt)*	**Grade%** *Sn*	**Contained** *Sn(t)*
Resources			
Renison	9,640	1.57%	150,915
Mount Bischoff	1,667	0.54%	8,981
Rentails	20,461	0.45%	91,839
Total	31,768	0.79%	251,735
Reserve			
Renison	3,960	1.39%	55,026
Mount Bischoff	–	–	–
Rentails	19,619	0.45%	87,797
Total	23,579	0.61%	142,823

CONTINUING CONNECTED TRANSACTIONS

(a) Tin concentrates supply

On 25 March 2011, YT Parksong Australia Holding PTY Limited ("YTPAH") entered into the tin supply contract with YT TDK, pursuant to which TYPAH agreed to supply tin concentrates (the "Tin Supply Contract") to YT TDK for the period from April 2011 to December 2013. YTPAH is a wholly-owned subsidiary of Yunnan Tin Hong Kong (Holdings) Group Co. Limited ("Yunnan Tin HK"), which is owned as to 82% by the Company and 18% by Yunnan Tin Group (Holding) Co. Limited ("Yunnan Tin PRC"), which in turn holds 100% equity interest in YT TDK. As such, YT TDK is a connected person of the Company by virtue of being a subsidiary of the substantial shareholder of Yunnan Tin HK. Accordingly, the transaction contemplated under the Tin Supply Contract will constitute continuing connected transaction of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 31 January 2013, the Tin Supply Contract has been renewed with new terms for the period from 1 February 2013 to 31 January 2016 but subject to Shareholders' approval in the extraordinary general meeting on 9 April 2013.

(b) Copper concentrates supply

On 4 May 2012, YTPAH entered into the copper supply contract with Yuntinic, pursuant to which YTPAH agreed to supply contract concentrates (the "Copper Supply Contract") to Yuntinic for the period from May 2012 to December 2012. Yuntinic is a subsidiary of

Yunnan Tin PRC. As such, with disclosed in (a) above, Yuntinic is a connected person of the Company at its subsidiary level by virtue of being a subsidiary of the substantial shareholder of Yunnan Tin HK. Accordingly, the transaction contemplated under the Copper Supply contract will constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

For the above two transactions, the Tin Supply Contract and the Copper Supply Contract, the Independent Non-executive Directors have confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing it on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole. Pursuant to Rule 14A.38 of the Listing Rules, the Company has engaged the Company's external auditor to perform certain procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants in respect of these continuing connected transactions of the Group. The auditor has reported its factual findings to the Board that the continuing connected transactions (i) have received the approval of the Board; (ii) have been entered into in accordance with the pricing policies of the Company; (iii) have been entered in accordance with the terms of the agreement governing the transactions; and (iv) have not exceeded the cap amount for the year ended 31 December 2012 as set out in the announcements of the Company dated 25 March 2011 and 4 May 2012 for the Tin Supply Contract and the Copper Supply Contract respectively. The Company confirms that they have complied with the disclosure requirements with respect to those continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

LITIGATIONS

HCA 1357/2011

The proceedings involves disputes arisen from a sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") dated 13 July 2010 ("Parksong S&P Agreement") signed between Mr. Chan Kon Fung ("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.

The Company and GPL were named as defendants in a writ of summons dated with a statement of claim dated 11 August 2011 by Mr. Chan. As alleged by Mr. Chan in the Statement of Claim, GPL and the Company have failed to make payment of AUD15,143,422.44 (equivalent to approximately HK$121,729,000), being the alleged amount of receivables payable to Mr. Chan should be held liable to the alleged breach of Parksong S&P Agreement and claimed for the said from both GPL and the Company ("Claim").

Both GPL and the Company stated in their Defence and Counterclaim dated 11 October 2011 that due to the facts of (1) Mr. Chan has failed to make a payment to GPL in settlement of payables payable under Parksong S&P Agreement; (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who is the owner of an advanced sum of AUD16.3 million to a Hong Kong company ("HK Co."), a majority-owned subsidiary of Parksong before the completion of the acquisition; (3) Mr. Chan has caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company without the consent of GPL; and (4) the under production of contained tin in concentrate from the mine in Australia, which breached the respective terms and/or warranties in Parksong S&P Agreement, GPL has suffered loss and damages. GPL and the Company therefore claimed that they are not liable to make the payment of the said sum in the Claim to Mr. Chan. GPL further counterclaimed Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$223,890,000 in total) and damages etc in the Defence and Counterclaim ("Counterclaims").

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 that the third set of documents as pleaded in GPL's and the Company's Defence and Counterclaim reflected the correct position and understanding of Mr. Chan, GPL and the Company in making Parksong S&P Agreement, Mr. Chan has denied the Counterclaims made by GPL and the Company in the Defence and Counterclaim.

Mr. Chan and the Company and GPL attended a mediation in relation to the disputes regarding the Claim and the Counterclaims on 16 August 2012. However, no settlement had been reached by the parties in the mediation. The parties will proceed with the legal proceedings and the present stage is to obtain counsel's advice.

HCA 2184/2011

The Company issued to Mr. Chan a series of convertible bonds in the aggregate amount of HK$773,500,000 (which due on 3 March 2016) on 4 March 2011 as part of the consideration for the purchase of the shares in Parksong mentioned under the heading of HCA1357/2011 above.

On 10 November 2011, Mr. Chan purported to exercise its conversion rights attached to the convertible bonds in the aggregate principal amount of HK$17,100,000 by depositing conversion notices together with the corresponding bond certificates with the Company ("Conversion"). Because of the dispute under HCA1357/2011 mentioned hereinabove and upon the advice from the then legal advisor, no share certificates were issued by the Company to effect the Conversion. On 7 December 2011, the Company received a demand letter from Mr. Chan's solicitors alleging that the Company had breached the conditions in convertible bonds agreement by failing to deliver share certificates of the relevant conversion shares by the specified time. In this connection, Mr. Chan demanded immediate repayment of the outstanding convertible bonds in the aggregate principal amount of HK$597,100,000 (which includes the said sum of HK$17,100,000) held by him together with all outstanding interests accrued thereon.

On 22 December 2011, the Company was named as defendant in a writ of summons with a statement of claim filed by Mr. Chan under HCA2184/2011. In such statement of claim, Mr. Chan claimed, among others, the sum of HK$597,100,000 being the aggregate principal amount of the outstanding convertible bonds together with all outstanding interests accrued thereon. A defence was filed by the Company on 2 February 2012 denying such claim. With a view to resolve the matter expeditiously, the Company made a payment of HK$17,100,000, representing the aggregate principal amount of the convertible bonds purported to be exercised, to Mr. Chan on 14 February 2012. Subsequently, Mr. Chan issued a Summons for an application for summary judgment of the proceedings against the Company on 23 February 2012 ("Order 14 Summons"). Such application was heard on 24 September 2012.

Pursuant to an order dated 24 September 2012, the Company is liable to Mr. Chan for the following:

(1) the outstanding interest on the principal sum of HK$17,100,000; and

(2) the costs of the action and the Order 14 Summons, with a certificate for two counsel except the hearing on 24 September 2012, to be taxed if not agreed ("Costs Order").

A sum of HK$32,594 was paid to Mr. Chan by the Company on 28 September 2012 in satisfaction of (1) above; whilst the parties could not agree on the amount payable under the Costs Order. On 23 January 2013, Mr. Chan filed a Notice of Commencement of Taxation together with their bill of costs in a total sum of HK$1,292,858 (the "Bill") with court. The Company then filed a list of objections objecting on a total sum of HK$861,741 on 19 February 2013. The date of taxation hearing on the Bill has been fixed on 21 August 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 8 May 2013 to Tuesday, 14 May 2013, 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 Tuesday, 7 May 2013 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share register in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, or registration not later than 16:30 p.m. on Tuesday, 7 May 2013.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to Listing Rules during the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 of all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2012.

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.

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 2012 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2012 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 the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS

The annual results 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

Hong Kong, 28 March 2013

As of the date of this announcement, the Board comprises three Executive Directors, namely Mr. NIE Dong , Mr. CHEUNG Wai Kuen and Mr. PU Xiao Dong; three Non-executive Directors, namely Prof. QIU Guan Zhou, Mr. CHEN Zhen Liang and Mr. LI Xiang Hong; three Independent Non-executive Directors, namely Mr. GAO De Zhu, Mr. KANG Yi and Mr. CHI Chi Hung, Kenneth.