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 2013

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 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	**2013** *HK$'000*	2012 *HK$'000*
Revenue	*4*	**446,650**	399,261
Cost of sales		**(471,861)**	(463,621)
Gross loss		**(25,211)**	(64,360)
Interest income		**1,363**	1,949
Other income		**–**	86
Administrative expenses		**(39,294)**	(43,672)
Other expenses	*5*	**(10,355)**	(20,191)
Other gains and losses	*6*	**165,121**	(124,545)
Finance costs	*7*	**(39,429)**	(83,129)
Profit (loss) before taxation		**52,195**	(333,862)
Taxation credit	*8*	**7,016**	70,401
Profit (loss) for the year	*9*	**59,211**	(263,461)

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(59,385)**	8,920
Total comprehensive expense for the year		**(174)**	(254,541)
Profit (loss) for the year attributable to:			
Owners of the Company		**80,266**	(236,820)
Non-controlling interests		**(21,055)**	(26,641)
		59,211	(263,461)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**22,203**	(228,450)
Non-controlling interests		**(22,377)**	(26,091)
		(174)	(254,541)
Earnings (loss) per share	*10*		
Basic and diluted (HK cents)		**1.67**	(8.22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment		**223,256**	272,499
Mining rights		**67,940**	113,446
Exploration and evaluation assets		**246,586**	298,379
Deposits		**14,184**	16,571
		551,966	700,895
Current assets			
Inventories		**16,069**	18,511
Trade receivables	11	**36,488**	46,184
Other receivables, prepayments and deposits		**12,310**	49,124
Held-for-trading investments		**24,464**	19,105
Deposits paid for repurchase of convertible bonds		**–**	150,000
Tax recoverable		**–**	4,134
Bank balances and cash		**122,169**	50,654
		211,500	337,712
Current liabilities			
Trade payables	12	**36,355**	37,475
Other payables and accruals		**96,131**	113,257
Amount due to a non-controlling shareholder of a subsidiary		**4,658**	9,624
Amount due to a joint venturer		**–**	18,087
Amount due to a related company		**1,186**	461
Loan to a related company		**–**	10,694
Loan from a director		**–**	152,736
Obligations under finance leases		**456**	14,982
Convertible bonds		**–**	328,483
		138,786	685,799
Net current assets (liabilities)		**72,714**	(348,087)
Total assets less current liabilities		**624,680**	352,808

	Notes	**2013**	2012
		HK$'000	*HK$'000*
Capital and reserves			
Share capital		**25,650**	14,400
Reserves		**451,189**	153,741
Equity attributable to owners of the Company		**476,839**	168,141
Non-controlling interests		**(404)**	20,693
Total equity		**476,435**	188,834
Non-current liabilities			
Obligations under finance leases		**571**	27,486
Convertible bonds		**123,108**	99,904
Deferred taxation		**9,873**	19,048
Provision for rehabilitation		**14,693**	17,536
		148,245	163,974
		624,680	352,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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.

The Company's functional currency is Australia Dollars ("AUD"). 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of Items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a jointly arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement.

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. YT Parksong Australia Holding Pty Limited ("YTPAH"), a non-wholly owned subsidiary of the Group, entered into a joint venture agreement with another venturer. Each of the venturers hold 50% interest in certain mining projects (the "JV Projects") located in Tasmania, Australia. The directors of the Company concluded that the Group's investment in the JV Projects, which was classified as a jointly controlled asset under HKAS 31, should be classified as a joint operation under HKFRS 11. The application of HKFRS 11 has no impact on the amounts reported in the consolidated financial statements.

YTPAH also entered into a joint venture agreement with the venturer to set up Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"). BMTJV was appointed as the management company of the JV Projects and is responsible to manage, supervise and conduct the daily operation of the JV Projects through a management committee. The directors of the Company concluded that the Group's investment in this joint arrangement should be classified as joint venture under HKFRS 11 and continue to be accounted for using the equity method and therefore the adoption of HKFRS 11 does not have any material impact on the financial position and the financial results of the Group.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Except as described above, the application of the other new or revised HKFRSs in the current financial information period has had no material effect on the amounts reported and/or 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 HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 19	Defined benefit plans: employees contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvement to HKFRSs 2011 – 2013 cycle[2]
HK(IFRIC) – INT 21	Levies[1]

[1] Effective for accounting periods beginning on or after 1 January 2014.
[2] Effective for accounting periods beginning on or after 1 July 2014.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The directors of the Company do not anticipate that the application of HKFRS 9 "Financial Instruments: Recognition and Measurement" will have a material effect on the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable amount disclosures for non-current financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SEGMENT INFORMATION

The chief operating decision makers have been identified as executive directors of the Company. Following the discontinued operation in trading of metal resources in prior year, the executive directors consider exploration, development and mining of tin and copper bearing ores in Australia ("mining operation") is the principal activity of the Group and represents one single segment. Segment information are no longer 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. Accordingly, the comparatives of segment information have been re-presented.

Revenue from major products

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

	2013	2012
	HK$'000	*HK$'000*
Sales of tin concentrate	**446,650**	387,128
Sales of copper concentrate	**–**	12,133
	446,650	399,261

Geographical information

The Group's mining operations are located in Australia.

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

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

As at 31 December 2013, non-current assets of the Group of HK$531,707,000 (2012: HK$677,217,000), HK$4,403,000 (2012: HK$4,253,000) and HK$1,672,000 (2012: HK$2,854,000) were located in Australia, the PRC and Hong Kong, respectively. These non-current assets excluded deposits.

Information about major customers

	2013	2012
	HK$'000	*HK$'000*
Yunnan Tin Australia TDK Resources Pty Limited	**446,650**	387,128
Yuntinic (Hong Kong) Resources Company Limited	**–**	12,133
	446,650	399,261

5. OTHER EXPENSES

The amount comprises legal and professional fees for both years.

6. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Fair value change of derivative financial instruments	**–**	(93,340)
Fair value change of financial liabilities at fair value through profit or loss	**–**	20,400
Fair value change of held-for-trading investments	**5,389**	(12,371)
Impairment loss recognised on exploration and evaluation assets	**–**	(40,162)
Impairment loss recognised in respect of other receivables	**(29,071)**	–
Net foreign exchange (loss) gain	**(6,712)**	7,489
Gain on repurchase of convertible bonds	**192,894**	2,217
Gain (loss) on disposal of property, plant and equipment	**2,621**	(8,778)
	165,121	(124,545)

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interests on:		
Obligations under finance leases wholly repayable within five years	**708**	3,192
Loan from a director	**702**	1,368
Loan from a non-controlling shareholder of a subsidiary	**420**	1,066
Other borrowings	**6,684**	1,358
Unwinding of discount on provision for rehabilitation	**113**	602
Effective interest expense on Convertible Bonds	**30,802**	75,543
	39,429	83,129

8. TAXATION

	2013	2012
	HK$'000	*HK$'000*
The credit comprises:		
Deferred tax credit for the year	**7,016**	70,401

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% (2012: 30%) on taxable profits on Australian incorporated entities.

9. PROFIT (LOSS) FOR THE YEAR

	2013	2012
	HK$'000	*HK$'000*
Profit (loss) for the year has been arrived at after charging:		
Auditor's remuneration	**3,070**	3,226
Cost of inventories recognised as an expense	**471,861**	463,621
Depreciation of property, plant and equipment	**86,133**	75,558
Amortisation of mining rights included in cost of sales	**44,927**	71,510
Operating lease rentals in respect of rented premises, equipment and leasehold land	**2,434**	4,070
Staff costs (including directors' emoluments)		
– Salaries and other benefits	**71,185**	66,220
– Contributions to retirement benefit schemes	**4,705**	5,881
	75,890	72,101

10. 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share:		
Profit (loss) for the period attributable to owners of the Company	**80,266**	(236,820)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**4,809,452,055**	2,880,000,000

For year ended 31 December 2013, the computation of diluted earnings per share does not assume the conversion of the outstanding convertible bonds since it would result in an increase in earnings per share.

During the year ended 31 December 2012, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2013 has been adjusted for the issue of shares.

11. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**36,488**	46,184

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 final invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**36,488**	46,184

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. There is concentration of credit risk on a customer (2012: two customers). 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.

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:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**35,407**	37,352
31 – 60 days	**948**	123
Total	**36,355**	37,475

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. DIVIDEND

The Directors do not recommend any payment of a final dividend (2012: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

In 2013, the global economy exhibited an unbalanced development. The developed countries, such as the United States and Japan, faced a mild economic recovery while emerging economies grew at a slower pace. At the beginning of 2013, driven by favorable news of the encouraging prospect of the European economy and China's strong exports, tin price rose to its highest at USD25,150 per tonne in mid-January. Under the panic triggered by tapering Quantitative Easing in mid-year and the capital outflow from the emerging capital markets and the tin price dropped below USD20,000 per tonne. Since August, due to the new export regulation imposed by Indonesia, the tin supply was restricted. The tin price bounced back to the level of approximately USD23,000 per tonne.

According to the statistical information from International Tin Research Institute (ITRI), the tin metal produced was approximately 338,000 tonnes while the tin metal consumption was approximately 349,000 tonnes in 2013. As such, the excess demand in the global tin market has tensed up, and the price trend of tin metal predominated over that of other basic metals under the same macro-economic environment.

BUSINESS REVIEW

In 2013, the Group has focused on consolidating its business foundation. As the major business of the Group, the total production volume of tin metal of Renison underground mine in the year 2013 was 6,151 tonnes (2012: 5,849 tonnes), an increase of approximately 5.2%. The mine contributed approximately HK$446,700,000 of the Group's revenue for 2013 (2012: HK$399,300,000), an increase of approximately 11.9% as compared with 2012.

Profit attributable to the Company's shareholders for the year ended 31 December 2013 amounted to approximately HK$80,300,000 (2012: Loss HK$236,800,000), turning profit from loss, mainly due to the gain of HK$192,900,000 on the repurchase of the convertible bonds in 2013.

Exploration in Renison underground mine achieved a satisfactory progress in the year. According to the announcements of estimates of ore resource in July and September of this year, the estimated Total Mineral Resource of tin metal increased by 31% to 11,570,000 tonnes with grading of 1.76% tin content, resulting an approximately 204,000 tonnes of tin metal during the period from end of June to end of August of this year. Based on the announcement in March 2014, the estimated Total Ore Reserve of tin metal increased by 43% to 5,510,000 tonnes with grading of 1.38% tin content, resulting an approximately 75,800 tonnes of tin metal during the period from end of June to end of December of this year, representing nearly eight years of current production capacity.

In March 2013, the Group appointed a new mining contractor upon the expiration of the previous mining contract. The Group through BMTJV sold Renison underground mine's mining equipment to the new mining contractor, and focused on the investment in processing equipment for improving tin production. After disposal of the mining equipment, the annual finance lease costs around HK$31,309,000 and the maintenance costs and depreciation expenses decreased accordingly. Furthermore, the purchase of mine processing filter and gravity concentrators has improved the feed rate and recovery rate of the processing capacity.

In late April of 2013, the management team of Renison underground mine inspected the Yunnan Tin Group's mining, processing, tailing treatment, fuming equipment and conducted discussion on technologies (narrow vein mining technology in particular) in Yunnan Province of the PRC. In late January 2014, the management team after in-depth study on technological implementation, applied the narrow vein mining technology in part of Renison mining zone by using single-boom jumbo for lowering the mining costs and reducing mining dilution.

PROSPECT

Referring to the 2014 Global Economy Prospect published by the International Monetary Foundation, the global GDP growth will increase from 2.8% in 2013 to 3.1% in 2014. Looking forward to 2014, the economic growth prospect of the well-developed and mature countries will improve and attain 1.7% growth rate, slightly higher than 1% in 2013. It is mainly due to the positive growth of 0.8% in the Euro zone, bypassing the recession in past two years. In 2014, the United States will be the second largest driving engine for global economic recovery while the PRC still maintains a stable growth.

Forecast 2014, the drop in Australia's exports and the downturn of Australian Dollar are expected. As US Dollar is turning strong, the Group will benefit from the exchange gain from the sales of tin concentrates (denominated in US Dollar) and the payment of the operating costs of Renison underground mine (denominated in Australian Dollar).

The global production of electronic products dropped about 2% in 2013 and affected the performance of the upstream market of tin product. In accordance with the forecast made by Henderson Ventures Consulting, the global electronic industry will revive in next two years, accompanied by the economic growth of the United States and the PRC, the global production of electronic products is expected with a respective increase of 4.8% in 2014 and 6% in 2015. In view of the recovery of tin consumption in electronic industry, the growth of tin consumption will persist. On the tin supply, no new large tin mine has been discovered in recent years, tin mine productivity is limited by mined resources. The Group still remains optimistic on the long-term prospect of the tin mining industry.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue and profit attributable to the Company's shareholders for the year ended 31 December 2013 amounted to approximately HK$446.7 million (2012: HK$399.3 million) and HK$80.3 million (2012: loss attributable to the Company HK$236.8 million) respectively, an increase of 11.9% and a sharp turn from loss to profit from that of last year respectively. The Group's revenue increased due to the increase in the total production volume of tin by 5.2% of Renison underground mine in the year 2013 and average tin price in 2013 was 5.3% higher than that of 2012. The increase in profit attributable to the Company's shareholders increased was due to the gain of HK$192.9 million on the repurchase of convertible bonds and the decrease in the impairment of the mining rights in the year 2013.

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$471.9 million for the year ended 31 December 2013 (2012: HK$463.6 million), representing 105.6% of the revenue recorded in the corresponding year (2012: 116.1%). The increase in cost of sales was mainly due to the increase in costs incurred to the mining contractor in relation to the increase in tin production volume.

Gross loss and margin

The Group had a gross loss of approximately HK$25.2 million (2012: approximately HK$64.4 million) with gross loss margin at 5.6% for the year ended 31 December 2013 (2012: 16.1%) with a decrease of approximately 10 percentage points in a gross loss margin, due to an improvement in production efficiency during the year under review.

Other gains and losses

The Group recorded other gains of approximately HK$165.1 million for the year ended 31 December 2013 (2012: other losses: HK$124.5 million). The other gains for the year was mainly as a result of gain of HK$192.9 million on the repurchase of convertible bonds. The turn of other losses to other gains was also due to no provision made for impairment loss this year.

Administrative expenses

Administrative expenses, which represented approximately 8.8% of the Group's revenue, decreased by approximately 10.3% from HK$43.7 million for the year ended 2012 to approximately HK$39.2 million for the year ended 31 December 2013, mainly due to the reduction in entertainment and excursion expense.

Finance costs

Finance costs representing 8.8% of the Group's revenue in this year, decreased from HK$83.1 million for the year ended 31 December 2012 to HK$39.4 million for the year ended 31 December 2013. Such decrease is mainly due to the decrease in effective interest expenses on the convertible bonds mentioned below.

Pursuant to the 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, 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 entered into a sale and purchase agreement with bondholders to repurchase the convertible bonds with principal amount of HK$ 580,000,000 ("Convertible Bonds") at a consideration of HK$300,000,000 by cash. The repurchase of Convertible Bonds was approved by shareholders during extraordinary general meeting on 20 November 2012. Thus, the carrying amount of Convertible Bonds repurchased in the sum of HK$328,483,000 is re-classified as current liabilities as the liability is expected to be settled within 12 months as at 31 December 2012. The remaining Convertible Bonds in the sum of HK$99,904,000 is classified as non-current liabilities as the Convertible Bonds are expected to be settled at maturity date as at 31 December 2012.

On 5 March 2013, the Company settled the last instalment and completed the repurchase of Convertible Bonds with principal amount of HK$580,000,000 from the bondholders. The payment of consideration of HK$ 300,000,000 is allocated to liability component of HK$143,187,000 based on the fair value of the liability component at the date of repurchase, and equity component of HK$156,813,000 at the date of the repurchase. The difference between the allocated consideration to liability component of HK$143,187,000 and the carrying amount of the liability component of HK$336,081,000, which is HK$192,894,000, is recognized in profit or loss. The difference between the allocated consideration to equity component of HK$156,813,000, and the carrying amount of the equity component of HK$432,817,000, which is HK$276,004,000 is transferred to accumulated losses.

LIQUIDITY RESOURCES AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and bank borrowings. As at 31 December 2013, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$1.0 million (2012: HK$42.5 million). The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 0.1% as at 31 December 2013 (2012: 4.1%).

As at 31 December 2013, the Group had net current assets of approximately HK$72.7 million (2012: net current liabilities of approximately HK$348.1 million). Current ratio as at 31 December 2013 was 1.5 (2012: 0.5). The bank and cash balance of the Group as at 31 December 2013 was approximately HK$122.2 million (2012: HK$50.7 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 an interest rate of 3% per annum to Parksong to facilitate the repurchase of Convertible Bond. 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 Agreement have been fulfilled and completed. An aggregate of 446,000,000 shares have been allotted and issued to Mr. Xie pursuant to the Loan Capitalisation Agreement.

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 has utilized the aforementioned net proceeds to finance the repurchase of Convertible Bond and to repay the loan balances to Mr. Xie and retained the balance for future potential investments and general working capital purpose.

CHARGES OF ASSETS

As at 31 December 2013, our obligation under finance lease of HK$1.0 million was secured by property, plant and equipment of an amount of approximately HK$1.2 million (2012: HK$49.9 million).

CONTINGENT LIABILITIES

As at 31 December 2013, except for the litigations as set out in the litigation section of this announcement, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

The Group had HK$1,075,000 capital commitment as at 31 December 2013 (2012: HK$1,345,000).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2013, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$94.3 million (2012: HK$82.4 million). As at 31 December 2013, the Group's equity securities listed in Hong Kong amounted to approximately HK$24.5 million (2012: HK$19.1 million).

MATERIAL ACQUISITION AND DISPOSAL

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2013, the Group employed approximately 25 employees (2012: 36). 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 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.

MINE INFORMATION

Renison Tin Project

Renison Mine located in Tasmania has been one of the major hard rock tin mines in the world and is the largest tin producer in Australia. 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 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin Group (Holding) Co. Limited ("Yunnan Tin PRC") indirectly holds 18% interest of YTPAH. In March 2010, YTPAH completed the acquisition of 50% interest in BMT's assets. Under the joint venture agreement between YTPAH and BMT, an unincorporated joint venture ("JV") was formed. 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 Australia Securities Exchange.

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

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 Renison Underground is as follows:

Drilling/Informing Data

The bulk of the data used in resource estimations at Renison Underground has been gathered from diamond core. Three sizes have been used historically 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 Renison Underground. 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.

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 Renison Underground, 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 occurring. A long 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 90°C, then crushed to <3mm. Samples are then riffle split to obtain a sub-sample of approximately 100g which is then pulverized to 90% passing 75mm. 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 (XRF). 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

Renison Underground is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. Renison Underground is the largest of three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The Renison Underground area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-

Cambrian siliciclastic and volcaniclastic rocks. At Renison Underground, there are three shallow-dipping dolomite horizons which host replacement mineralization. The Federal Orebody Mining has occurred since 1800's providing a significant confidence in the currently 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.

Renison Underground 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 date 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. Geostatistical 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 utilizing 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 dry tonnes.

Cut-Off Grade

The resource reporting cut-off grade is 0.7% Sn at Renison Underground 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 Rension Underground mine. The current underground mining methods employed at Renison Underground 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 Reserves and Resources

For the year ended 31 December 2013, 29,968 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 190,120 tonnes contained tin metals from 11,498,995 tonnes of ores averaging 1.65% Sn.

As of 31 December 2013, the JORC compliant resources and reserves of Renison Underground are categorized as follows:

Upgraded Resource and Reserve Estimates for Renison Underground as at 31 December 2013

Category	Tonnage *(kt)*	Grade % *Sn*	Contained *Sn(t)*
Resources			
Measured	683	2.11	14,400
Indicated	6,341	1.56	98,900
Inferred	4,475	1.72	76,800
Total	11,500	1.65	190,100
Reserve			
Proven	623	1.61	10,000
Probable	4,887	1.35	65,800
Total	5,510	1.38	75,800

During the year under review, an extensive exploration and resources development drilling campaign targeting both surface and underground targets was conducted over Renison Underground. 1,456 meter of capital waste, 1,490 meter of capital decline and 2,625 meter of sill development were advanced during the period. 6,151 tonnes of tin metal was produced from Renison Underground and zero tonne from Mount Bischoff, and processed ores averaging 1.51% Sn. No major exploration, development or production activities were carried out for Rentails.

For the year ended 31 December 2013, a total of HK$116,443,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the period ended 31 December 2013

Included	*HK$'000*
Mining costs	207,321
Processing costs	89,129
Transportation	3,506
Royalties/fee payable to government	8,415
Financing costs	708

Capital Expenditure for the period ended 31 December 2013

Addition	*HK$'000*
Property, Plant and Equipment	94,283
Mining Rights	7,538
Exploration and Evaluation Assets	14,622
Total	116,443

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

Total Resource and Reserve Estimates as at 31 December 2013

Category	**Tonnage** *(kt)*	**Grade %** *Sn*	**Contained** *Sn(t)*
Resources			
Renison Underground	11,500	1.65%	190,100
Mount Bischoff	1,667	0.54%	9,000
Rentails	21,042	0.45%	94,700
Total	34,209	0.85%	293,800
Reserve			
Renison Underground	5,510	1.38%	75,800
Mount Bischoff	–	–	–
Rentails	20,201	0.45%	90,700
Total	25,711	0.65%	166,500

The above information is extracted from this Mineral Resources report and Ore Reserve estimate report complied by Metals X technical employees under the supervision of Mr. Jake Russell B.Sc. (Hons), who is a member of the Australian Institute of Geoscientists and Mr. Michael Poepjes BEng (Mining Engineering), MSc (Min. Econ) M.AusIMM respectively.

Renison Underground

The Renison Underground is one of underground tin mine in Australia and are located on the west coast of Tasmania, 140 kilometres ("km") south of the port of Burnie, 10km west of the mining town of Rosebery, 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 Renison Underground with Burine on the north coast. The Emu Bay railway also runs adjacent to the mine and gives access to Burnie's shipping facilities, although Renison Underground 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.

According to the press release from Metals X dated 11 March 2014, an increase of 21.8% tin mineral resource, containing from June 2013 approximately 156,000 tonnes to December 2013 approximately 190,100 tonnes of Total Mineral Resource at Renison Underground was achieved. The Total Mineral Resource at Renison Underground now stands at 11.5 million tonnes grading 1.65% tin making it one of the largest known single mine resources of tin in the world today and reaffirming Renison's status as a world-class tin mine.

Mount Bischoff

Mount Bischoff, which acted as an incremental field to supplement the Renison ore, still remains in care and maintenance in the short term. The continued underground exploration activity at Renison underground mine has defined new zones of high-grade tin mineralization beyond the boundaries of the current resource, and has also highlighted significant opportunities above existing development and now provides the opportunity for rapid conversion to reserve. It is expected that more exploration and mining costs will be spent in Renison Underground and this would generate more revenue to the Group. Moreover, there is no fixed or updated plan on Mount Bischoff to re-open for mining within a short period of time as the open-pit mine has completed the extraction of the reserve. In view of this, an impairment loss on exploration and evaluation assets, which related to this open-pit mine, amounting to HK$40,162,000 was recognized during the year ended 31 December 2012. Furthermore, no updated mining plan has been made for Mount Bischoff since March 2011.

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 18 million tonnes of tailings with an average grade of 0.4% tin and 0.21% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at 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 is currently 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 this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin Group's production plants in the PRC in late April of 2013, has in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project BMTJV has appointed Yunnan Tin Group to appraise the project and provide recommendation for their consideration, for the year ended 31 December 2013, 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.

LITIGATION

HCA 1357/2011

The legal proceedings involves the disputes regarding the sale and purchase agreement dated 13 July 2010 ("Parksong S&P Agreement") in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") 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 ("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$104,189,775), being the alleged amount of receivables payable to Mr. Chan ("Chan's Claim").

GPL and the Company denied 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 ("AD&C"). Under the 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 due to GPL under the Parksong S&P Agreement ("Payables"); (2) 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 a Hong Kong company ("HK Co."), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) In breach of the Parksong S&P Agreement, Mr. Chan has unilaterally caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company without the consent of GPL; and (4) 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 ("Production Shortfall"). Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$193,852,905 in total) and damages etc.

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 (with subsequent amendments) 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.

The issue of Production Shortfall is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries after the Completion Date under the Parksong S&P Agreement. The actual production of contained tin in concentrate for the first and second anniversaries were confirmed to be approximately 4,980 and 6,160 tonnes respectively, resulting in respective shortfalls of 1,520 and 340 tonnes. The status for the third anniversary is in the confirmation stage at present.

Following the change of our legal team for the legal proceedings in April 2013, GPL and the Company have made applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information. The legal proceedings is now being considered with these additional evidence. GPL is now investigating on the AUD 16.3 Million Issue and making re-assessment on Mr. Chan's Claim and the compensation to be sought under the counterclaims of GPL and the Company, including the amount on the Payables and the compensation of Production Shortfall.

The AD&C shall be further revised and updated in due course if and when upon the advice of the legal team.

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. Taxation of the Bill was heard on 21 August 2013. Pursuant to the sealed copy Allocatur served on 2 October 2013, the Company made payment in the sum of HK$1,002,807.96, being the judgment sum of HK$926,645.33 plus interest for the period from 24 September 2012 to 3 October 2013, to Chan's solicitors on 3 October 2013.

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 People's Republic of China, 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 hereinbelow the Company has complied with the Corporate Governance Code as set out in Appendix 14 to Listing Rules during the year ended 31 December 2013.

Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2013, only 3 regular board meetings with not less than 14 days' notice were held. However, as there were 35 other board meetings held during the year, the Board considers that all significant matters concerning the business activities, operation and financial performance of the Company during the year had been adequately and effectively reported, discussed and/or resolved.

Code Provision A.2.7 stipulates that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive Directors present. As there was a change of chairman of the Company during the year, no such meeting with non-executive director was held. The Company would arrange this meeting after coming annual general meeting.

Code Provision C.1.2 stipulates that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties. During the year, the management of the Company did not provide monthly updates to all members of the Board as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company. The management has provided to all Directors (including non-executive Directors and independent non-executive Directors) quarterly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail during the board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or exploratory information for matters brought before the Board.

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 2013.

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 are 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 2013 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, the register of members of the Company will be closed from Friday, 23 May 2014 to Wednesday, 28 May 2014, 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, 22 May 2014 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 level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or registration not later than 4:30 pm on Thursday, 22 May 2014.

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 2013 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
CHEN Zhenliang
Chairman

Hong Kong, 28 March 2014

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