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 2014

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 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
Revenue	*4*	**497,281**	446,650
Cost of sales		**(468,625)**	(471,861)
Gross profit (loss)		**28,656**	(25,211)
Interest income		**999**	1,363
Administrative expenses		**(41,704)**	(39,294)
Other expenses	*5*	**(11,246)**	(10,355)
Other gains and losses	*6*	**45,714**	165,121
Finance costs	*7*	**(24,490)**	(39,429)
(Loss) profit before taxation		**(2,071)**	52,195
Taxation (charge) credit	*9*	**(21,414)**	7,016
(Loss) profit for the year	*10*	**(23,485)**	59,211

	Notes	**2014**	2013
		HK$'000	*HK$'000*
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(37,112)**	(59,385)
Total comprehensive expense for the year		**(60,597)**	(174)
(Loss) profit for the year attributable to:			
Owners of the Company		**(23,465)**	80,266
Non-controlling interests		**(20)**	(21,055)
		(23,485)	59,211
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(60,612)**	22,203
Non-controlling interests		**15**	(22,377)
		(60,597)	(174)
(Loss) earnings per share	*11*		
Basic and diluted (HK cents)		**(0.46)**	1.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment		**216,261**	223,256
Mining rights		**88,078**	67,940
Exploration and evaluation assets		**186,268**	246,586
Deposits		**13,044**	14,184
		503,651	551,966
Current assets			
Inventories		**17,194**	16,069
Trade receivables	*12*	**36,431**	36,488
Other receivables, prepayments and deposits		**8,352**	12,310
Held-for-trading investments		**4,484**	24,464
Bank balances and cash		**164,999**	122,169
		231,460	211,500
Current liabilities			
Trade payables	*13*	**31,129**	36,355
Other payables and accruals		**92,185**	96,131
Amount due to a non-controlling shareholder of a subsidiary		**4,283**	4,658
Amount due to a related company		**1,179**	1,186
Obligations under finance leases		**526**	456
		129,302	138,786
Net current assets		**102,158**	72,714
Total assets less current liabilities		**605,809**	624,680

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital		**25,650**	25,650
Reserves		**390,577**	451,189
Equity attributable to owners of the Company		**416,227**	476,839
Non-controlling interests		**(389)**	(404)
Total equity		**415,838**	476,435
Non-current liabilities			
Obligations under finance leases		**—**	571
Convertible bonds		**147,010**	123,108
Deferred taxation		**28,442**	9,873
Provision for rehabilitation		**14,519**	14,693
		189,971	148,245
		605,809	624,680

NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

1. GENERAL

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

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

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")

Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied all of the Amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2014.

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

The Group has applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. 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 had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair value measurements".

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

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[5]
HKFRS 15	Revenue from contracts with customers[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[3]
Amendments to HKAS 1	Disclosure initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[3]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[1]
Amendments to HKAS 27	Equity method in separate financial statements[3]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
3 Effective for annual periods beginning on or after 1 January 2016.
4 Effective for annual periods beginning on or after 1 January 2017.
5 Effective for annual periods beginning on or after 1 January 2018.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instrument.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 31 December 2014 and anticipate that the application of HKFRS 9 in the future may result in provision of 12 month and lifetime expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the unit of production method for depreciation and amortisation for its mining structure and mining rights respectively and straight-line method for property, plant and equipment other than mining structures. The directors of the Company believe that these methods are the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other amendments to Standards will have no material impact on the results and financial position of the Group.

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 of Hong Kong Limited 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.

4. SEGMENT INFORMATION

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

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

Revenue from major products

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

	2014	2013
	HK$'000	*HK$'000*
Sales of tin concentrate	**491,921**	446,650
Sales of copper concentrate	**5,360**	—
	497,281	446,650

Geographical information

The Group's mining operations are located in Australia.

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

As at 31 December 2014, non-current assets (excluding deposits) of the Group of HK$485,454,000 (2013: HK$531,707,000), HK$3,673,000 (2013: HK$4,403,000) and HK$1,480,000 (2013: HK$1,672,000) were located in Australia, the PRC and Hong Kong, respectively.

Information about sole customer

	2014	2013
	HK$'000	*HK$'000*
Yunnan Tin Australia TDK Resources Pty Limited ("YTATR")	**497,281**	446,650

5. OTHER EXPENSES

The amount comprises legal and professional fees of HK$11,246,000 for the year ended 31 December 2014 (2013: HK$10,355,000).

6. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Fair value change of held-for-trading investments	**(5,180)**	5,389
Reversal of impairment loss recognised on property, plant and equipment *(note)*	**2,110**	—
Reversal of impairment loss recognised on mining rights *(note)*	**9,811**	—
Reversal of impairment loss recognised on exploration and evaluation assets *(note)*	**20,546**	—
Reversal of impairment loss (impairment loss recognised) on other receivables	**568**	(29,071)
Net foreign exchange gain (loss)	**17,635**	(6,712)
Gain on repurchase of convertible bonds	**—**	192,894
Gain on disposal of property, plant and equipment	**224**	2,621
	45,714	165,121

Note:

Impairment testing on the CGU of the Renison underground mine

For the purpose of impairment testing, mining related property, plant and equipment (which mainly include the mining structures, buildings, construction in progress and machineries for the mining operation), mining rights and exploration and evaluation asset have been allocated to CGU of the Renison underground mine.

The recoverable amount of the CGU of the Renison underground mine of approximately AUD76,848,000 (equivalent to approximately HK$486,228,000) as at 31 December 2014 (2013: approximately AUD77,109,000, equivalent to approximately HK$530,524,000) is determined on the basis of value in use calculation. Value in use calculation is based on a discount rate of 17.2% (2013: 16.4%) and cash flow projection prepared from financial forecasts approved by the directors of the Company covering a mine life period until the mine resources run out based on forecasted production capacity. Other key assumptions provided by management for the value in use calculation include future price of tin concentrate, production rate, production capacity and gross profit margin.

In view of the significant increase in the estimated total proven and probable reserves of the Renison underground mine and enhanced production rate, the recoverable amount of the CGU of the Renison underground mine is higher than its carrying value as at 31 December 2014. Accordingly, reversal of impairment losses on mining related property, plant and equipment, mining rights and exploration and evaluation asset allocated to the CGU of Renison underground mine of approximately HK$2,110,000, HK$9,811,000 and HK$20,546,000 are recognised to profit or loss during the year ended 31 December 2014, respectively.

7. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interests on:		
Obligations under finance leases wholly repayable within five years	**96**	708
Loan from a director	**—**	702
Loan from a non-controlling shareholder of a subsidiary	**—**	420
Other borrowings	**—**	6,684
Unwinding of discount on provision for rehabilitation	**492**	113
Effective interest expense on convertible bonds	**23,902**	30,802
	24,490	39,429

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the thirteen (2013: ten) Directors were as follows:

	Cheung Wai Kuen *HK$'000*	**Nie Dong** *HK$'000* *(note (vi))*	**Wang Chunhu** *HK$'000* *(note (iv))*	**Chen Zhenliang** *HK$'000* *(note (iii))*	**Pu Xiaodong** *HK$'000* *(note (x))*	**Dr. Shi Simon Hao** *HK$'000* *(note (iv))*	**Qiu Guanzhou** *HK$'000* *(note (vii))*	**Li Xianghong** *HK$'000* *(note (v))*	**Chi Chi Hung Kenneth** *HK$'000*	**Deng Shichuan** *HK$'000* *(note (viii))*	**James Munn** *HK$'000* *(note (viii))*	**Gao Dezhu** *HK$'000* *(note (ii))*	**Kang Yi** *HK$'000* *(note (ii))*	**Total** *HK$'000*
For the year ended 31 December 2014														
Fees	**—**	**1,424**	**—**	**810**	**—**	**180**	**150**	**—**	**180**	**14**	**14**	**123**	**123**	**3,018**
Other emoluments:														
Salaries, allowances and benefits in kind	**—**	**934**	**—**	**814**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,748**
Contributions to retirement benefit scheme	**—**	**13**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**13**
Discretionary bonus *(note (i))*	**—**	**1,560**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,560**
Total emoluments	**—**	**3,931**	**—**	**1,624**	**—**	**180**	**150**	**—**	**180**	**14**	**14**	**123**	**123**	**6,339**

	Xie Haiyu *HK$'000* *(note (ix))*	Cheung Wai Kuen *HK$'000*	Pu Xiaodong *HK$'000* *(note (x))*	Nie Dong *HK$'000* *(note (vi))*	Chen Zhenliang *HK$'000* *(note (iii))*	Qiu Guanzhou *HK$'000* *(note (vii))*	Li Xianghong *HK$'000* *(note (v))*	Chi Chi Hung Kenneth *HK$'000*	Gao Dezhu *HK$'000* *(note (ii))*	Kang Yi *HK$'000* *(note (ii))*	Total *HK$'000*
For the year ended 31 December 2013											
Fees	—	—	—	960	810	180	—	180	180	180	2,490
Other emoluments:											
Salaries, allowances and benefits in kind	—	—	—	1,307	17	—	—	—	—	—	1,324
Contributions to retirement benefit scheme	—	—	—	—	—	—	—	—	—	—	—
Total emoluments	—	—	—	2,267	827	180	—	180	180	180	3,814

Notes:

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

(ii) Mr. Gao Dezhu and Mr. Kang Yi resigned on 4 September 2014.

(iii) Mr. Chen Zhenliang resigned on 30 September 2014.

(iv) Mr. Wang Chunhu and Dr. Shi Simon Hao were appointed on 1 April 2014.

(v) Mr. Li Xianghong resigned on 1 April 2014.

(vi) Mr. Nie Dong was also appointed as the Chief Executive Officer of the Company on 8 March 2013 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.

(vii) Professor Qiu Guanzhou resigned on 31 October 2014.

(viii) Mr. Deng Shichuan and Mr. James Munn were appointed on 3 December 2014.

(ix) Mr. Xie Haiyu resigned on 8 March 2013.

(x) Mr. Pu Xiaodong was appointed as the Chief Executive Officer of the Company on 16 February 2012 but he resigned as Chief Executive Officer on 8 March 2013. Mr. Pu Xiaodong resigned as director on 29 January 2014.

9. TAXATION (CHARGE) CREDIT

	2014	2013
	HK$'000	*HK$'000*
The (charge) credit comprises:		
Deferred tax (charge) credit for the year	**(21,414)**	7,016

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% (2013: 30%) on taxable profits on Australian incorporated entities.

10. (LOSS) PROFIT FOR THE YEAR

	2014 *HK$'000*	2013 *HK$'000*
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,760**	3,070
Cost of inventories recognised as an expense	**468,625**	471,861
Depreciation of property, plant and equipment	**73,917**	86,133
Amortisation of mining rights included in cost of sales	**24,753**	44,927
Operating lease rentals in respect of rented premises, equipment and leasehold land	**2,523**	2,434
Staff costs (including directors' emoluments)		
— Salaries and other benefits	**71,242**	71,185
— Contributions to retirement benefit schemes	**4,824**	4,705
	76,066	75,890

11. (LOSS) EARNINGS PER SHARE

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

	2014 *HK$'000*	2013 *HK$'000*
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
(Loss) profit for the period attributable to owners of the Company	**(23,465)**	80,266
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**5,130,000,000**	4,809,452,055

For the year ended 31 December 2014, 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.

For the 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.

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.

12. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**36,431**	36,488

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.

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**36,431**	36,488

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. There is concentration of credit risk on a customer (2013: a customer). 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.

13. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
0–30 days	**30,186**	35,407
31–60 days	**943**	948
Total	**31,129**	36,355

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.

14. DIVIDEND

The Directors do not recommend any payment of a final dividend (2013: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2014, the tin market was highly volatile. During the first half of 2014, owing to lackluster global economic growth, overall tin price stood at USD22,000 per tonne. Tin price rose to its annual highest at USD23,900 per tonne at the end of April as economic data released in April indicated a rebound of consumer confidence trend. During the second half of the year, tin price (denominated in US Dollars) suffered overall pressure and plummeted under the influence of the market conditions, and touched the year's bottom at USD18,520 per tonne at the end of December. The annual average tin price for physical settlement of London Metal Exchange (LME) maintained at USD21,893 per tonne for the year ended 31 December 2014 (2013: USD22,304 per tonne), a year-on-year drop of 1.8%.

The total production volume of tin metal of the Renison underground mine in 2014 was 6,887 tonnes (2013: 6,151 tonnes), an increase of approximately 12.0%. The Group, having 50% interest in the Renison underground mine, is entitled 3,447 tonnes of tin metal (2013: 3,079 tonnes) available for sale.

For the year end 31 December 2014, the Group recorded a turnover of HK$497,281,000, increased by 11.3% as compared with last year. The annual gross profit reached HK$28,656,000 (with gross profit margin of approximately 5.8%) compared with last year's gross loss of HK$25,211,000 (with gross loss rate was approximately 5.6%), which was mainly attributable to the increase in total production volume of tin metal and lower production cost than last year. Loss attributable to shareholders of the Company was HK$23,465,000 (2013: profit of HK$80,266,000), which was mainly due to the decrease in non-recurring income compared with last year when a gain of HK$192,894,000 was recorded on the repurchase of the convertible bonds, which did not occur in this year.

During the year, USD against AUD rose significantly by nearly 17% throughout the year. Since the Group's sales of tin concentrate was denominated in USD, while the operating costs of Renison underground mine were paid in AUD, therefore, the depreciation of AUD against USD had a positive effect on the Group's operating cash flow.

The Renison underground mine continued exploration in 2014 to discover potential tin resources and reserves. Under the comparison of the estimates as at 31 December 2014 and 31 December 2013 in respect of the mine's estimation reports, the Total Mineral Resources of the Renison underground mine increased by 7% year-on-year (from 11,500,000 tonnes to 12,337,000 tonnes) and the Total Ore Reserves increased by 7% year-on-year (from 5,510,000 tonnes to 5,911,000 tonnes). Such increase in resources and reserves will provide a solid base for production expansion.

The Group's management will continually make efforts to improve the productivity and efficiency of the Renison underground mine in the future. The Group oversees mining contractors' mining plans and ore extraction performance through Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"). Moreover, BMTJV strengthened production site management and implemented regular equipment inspections to ensure a normal and safe operation, it also provided safety trainings to mine workers in order to improve total production efficiency of the Renison mine.

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

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue for the year ended 31 December 2014 amounted to approximately HK$497,281,000 (2013: HK$446,650,000), an increase of 11.3% from that of last year. The Group's revenue increased due to the increase in the total production volume of tin by 12.0% of the Renison underground mine during the year ended 31 December 2014 when compared to last year.

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$468,625,000 for the year ended 31 December 2014 (2013: HK$471,861,000), representing 94.2% of the revenue recorded in the corresponding year (2013: 105.6%). The cost of sales slightly decreased was mainly due to the net effect of: (1) the increase in the total production volume during the year ended 31 December 2014; and (2) the benefit from the depreciation of AUD during the year ended 31 December 2014 when compared to last year.

Gross profit (loss)

The Group had a gross profit of approximately HK$28,656,000 (2013: a gross loss of approximately HK$25,211,000) with gross profit margin at 5.8% for the year ended 31 December 2014 (2013: gross loss margin 5.6%) with an increase of approximately 11.4 percentage points in a gross profit margin, due to an improvement in production efficiency and the depreciation of AUD against USD during the year ended 31 December 2014.

Other gains and losses

The Group recorded other gains of approximately HK$45,714,000 for the year ended 31 December 2014 (2013: HK$165,121,000). The decrease in other gains was mainly due to absence of the one-off gain on the repurchase of convertible bonds in the year 2013, however, it was partially offset by the reversal of impairment losses on mining related property, plant and equipment, mining rights and exploration and evaluation asset allocated to the CGU of the Renison underground mine of HK$2,110,000, HK$9,811,000 and HK$20,546,000 respectively during the year ended 31 December 2014. Such reversal of impairment losses was due to the significant increase in the estimated total proven and probable reserves of the Renison underground mine and enhanced production rate, which caused the recoverable amount of the CGU of the Renison underground mine to be higher than its carrying value as at 31 December 2014.

Administrative expenses

Administrative expenses, which represented approximately 8.4% of the Group's revenue, increased by approximately 6.1% from HK$39,294,000 for the year ended 31 December 2013 to approximately HK$41,704,000 for the year ended 31 December 2014, mainly due to the increase in mineral production royalty and administrative staff costs.

Finance costs

Finance costs representing 4.9% of the Group's revenue in this year, decreased from HK$39,429,000 for the year ended 31 December 2013 to HK$24,490,000 for the year ended 31 December 2014. Such decrease was mainly due to (1) the decrease in interest expenses after repayment of a loan from a director, a loan from a non-controlling shareholder of a subsidiary and other borrowings; and (2) the decrease in effective interest expenses on the convertible bonds due to the repurchase of convertible bonds completed on 5 March 2013.

(Loss) profit for the year

The Group's audited consolidated loss attributable to the Company's shareholders for the year ended 31 December 2014 amounted to approximately HK$23,465,000 (2013: profit attributable to the Company's shareholders HK$80,266,000), a turn from profit to loss from that of last year. The turn from profit to loss was mainly due to a decrease in non-recurrent income as compared to the last year, which was attributable to the one-off gain of HK$192,894,000 on the repurchase of convertible bonds in the year ended 31 December 2013 whereas no such gain was recognised in the year ended 31 December 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 31 December 2014, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$526,000 (2013: HK$1,027,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 43.4% as at 31 December 2014 (2013: 37.6%).

As at 31 December 2014, the Group had net current assets of approximately HK$102,158,000 (2013: HK$72,714,000). Current ratio as at 31 December 2014 was 1.8 (2013: 1.5). The bank and cash balance of the Group as at 31 December 2014 was approximately HK$164,999,000 (2013: HK$122,169,000).

The Company and certain subsidiaries of the Company have amounts due from and to group companies, bank balances, trade receivables, convertible bonds, amount due to a related company, sales and purchases denominated in foreign currencies which expose the Company and its 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.

CONVERTIBLE BONDS

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, part of the consideration is settled by the issuance of convertibles bonds. On the completion date, being 4 March 2011, the Company issued zero-coupon convertible bonds with principal amount of HK$773,500,000 with maturity of five years. Since 6 March 2013, the outstanding convertible bonds reduced to HK$176,400,000.

On 22 February 2013, an aggregate of 2,250,000,000 new shares were issued by the Company upon the completion of a placing of new shares and issue of new shares by way of loan capitalisation under specific mandate (the "Issue"). As disclosed in the announcement of the Company dated 27 September 2012, the initial conversion price of the convertible bonds shall be subject to adjustments as a result of the completion of the Issue. Further announcement will be made by the Company on the details of the proposed adjustment and the steps to be taken by the Company in relation to such proposed adjustments.

CHARGES OF ASSETS

As at 31 December 2014, our obligation under finance lease of HK$526,000 (2013: HK$1,027,000) was secured by property, plant and equipment of an amount of approximately HK$794,000 (2013: HK$1,198,000).

CONTINGENT LIABILITIES

As at 31 December 2014, 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$1,600,000 capital commitment as at 31 December 2014 (2013: HK$1,075,000).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2014, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$51,366,000 (2013: HK$94,283,000). As at 31 December 2014, the Group's equity securities listed in Hong Kong amounted to approximately HK$4,484,000 (2013: HK$24,464,000).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisition and disposal during the year ended 31 December 2014.

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, shareholders and any other eligible persons of the Group.

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

There is no share option granted or outstanding during the year ended 31 December 2014, 2013 and 2012.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2014, the Group employed approximately 30 employees (2013: 25). 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-managed retirement benefit scheme in the PRC. The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

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 (45.1 mm nominal core diameter), LTK60 (45.2 mm nominal core diameter) and LTK48 (36.1 mm 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 0.3 m to a maximum of 1.2 m.

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 40 m x 40 m spacing in the south of the mine and 25 m x 25 m 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^{o}C, then crushed to <3 mm. Samples are then riffle split to obtain a sub-sample of approximately 100g which is then pulverized to 90% passing 75 mm. 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 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 >1,950 m, a lateral extent of >1,250 m and a depth of over 1,100 m.

Database

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

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

Estimation and modelling techniques

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

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

Once the sample data has been composited, a statistical analysis is undertaken to assist with determining estimation search parameters, top-cuts etc. 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 40 m centres in the south of the mine and 25 m centres in the north of the mine, while Inferred material is drilled at greater spacings.

Estimated Tin Resources and Reserves

For the year ended 31 December 2014, 288 core holes with NQ2 for 17,758 meters of core holes in total had been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

As of 31 December 2014, the JORC compliant resources and reserves of Renison Underground are categorized as follows:

Updated Resource and Reserve Estimates for Renison Underground as at 31 December 2014

	TIN			**COPPER**		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Measured	576	2.26	12,998	483	0.64	3,106
Indicated	7,638	1.53	116,792	7,038	0.35	24,860
Inferred	4,123	1.60	66,071	2,771	0.29	8,120
Total	12,337	1.59	195,861	10,292	0.35	36,086
Reserves						
Proven	666	1.60	10,624	666	0.42	2,816
Probable	5,245	1.34	70,162	5,098	0.27	13,540
Total	5,911	1.37	80,786	5,764	0.28	16,356

During the year under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison Underground. 1,410 meter of capital waste, 557 meter of capital decline and 4,448 meter of sill development were advanced during the period. 6,887 tonnes of tin metal was produced from Renison Underground and 0 tonnes from Mount Bischoff, and processed ores averaging 1.52 % Sn. No development or recovery production activities were carried out for Rentails.

For the year ended 31 December 2014, a total of HK$55,412,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the year ended 31 December 2014

Included	*HK$'000*
Mining costs	249,800
Processing costs	78,369
Transportation	4,805
Royalties/fee payable to government	9,655
Financing costs	588

Capital Expenditure for the year ended 31 December 2014

Addition	*HK$'000*
Property, Plant and Equipment	51,366
Mining Rights	—
Exploration and Evaluation Assets	4,046
	55,412

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 2014

	TIN			**COPPER**		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Renison Underground	12,337	1.59	195,861	10,292	0.35	36,086
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	21,192	0.45	95,383	21,192	0.22	45,591
Total	35,196	0.85	300,225	31,484	0.26	81,677
Reserves						
Renison Underground	5,911	1.37	80,786	5,763	0.28	16,356
Mount Bischoff	—	—	—	—	—	—
Rentails	20,309	0.45	91,320	20,309	0.22	43,680
Total	26,220	0.66	172,105	26,073	0.23	60,036

The above information is extracted from a 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 Burnie 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.

The total mineral resource at Renison Underground now stands at 12.3 million tonnes grading 1.59% 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 recognised 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. 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. 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 the Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin Group's production plants in the PRC in late April 2013 and had in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project, BMTJV has appointed Yunnan Tin Group to appraise the project and provide recommendation for their consideration. For the year ended 31 December 2014, 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.

MANAGEMENT AGREEMENT

Prior to the completion of the acquisition of Parksong by the Group, an agreement dated 1 December 2010 was signed by Mr. Chan Kon Fung purportedly on behalf of YTPAH with YTATR, a subsidiary of Yunnan Tin PRC in relation to the engagement of YTATR for the provision of certain production and operation management services for the Renison Tin Project. YTPAH has been disputing the validity of such agreement and does not admit that such agreement is binding on it. YTATR has requested YTPAH to pay a fee for management services rendered by it up to 31 December 2014.

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

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

LITIGATIONS

HCA 1357/2011

The legal proceedings involves the disputes regarding 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 signed between Mr. Chan as the vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor. The completion of the acquisition of Parksong took place on 4 March 2011 ("Completion Date").

GPL and the Company were named as defendants in a writ of summons with a statement of claim dated 11 August 2011 filed by Mr. Chan. Under the statement of claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK$95,814,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their defence and counterclaim on 11 October 2011 which was amended on 23 May 2012 ("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 (included the management agreement stated above) 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. 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$179,648,000 in total) and damages etc.

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

Since June 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 on the AUD16.3 Million Issue. The legal proceedings are now being considered with these additional evidence and related investigation. GPL is now 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 for production shortfall.

The compensation 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 from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong's advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for production shortfalls are in sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately of HK$31,354,000 in total).

Further, GPL and the Company have submitted applications on joinder of parties on the AUD16.3 Million Issue. GPL and the Company have also submitted applications for expert evidence on the AUD16.3 Million Issue, the amount of receivables, the amount of Payables and the amount of compensation on production shortfall. After an initial hearing on 19 December 2014, further hearings for the foregoing applications have been scheduled to 28 and 29 July 2015.

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

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 herein below, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to Listing Rules during the year ended 31 December 2014.

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

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

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

PREVIOUS NON-COMPLIANCE WITH RULES 3.10(1), 3.10A AND 3.21 AND 3.25 OF THE LISTING RULES

Reference is made to the announcement of the Company dated 5 September 2014 in relation to the resignation of Mr. Gao Dezhu and Mr. Kang Yi as independent non-executive directors of the Company and the non-compliance with Rules 3.10(1), 3.10A and 3.21 and 3.25 of the Listing Rules.

Following the appointments of Mr. Deng Shichuan and Mr. James Munn as independent non-executive directors of the Company on 3 December 2014, the Company has fulfilled the requirements under Rules 3.10(1) and 3.10A of the Listing Rules which require the minimum number of the independent non-executive directors, the requirement under Rule 3.25 of the Listing Rules which requires the majority of the members of the remuneration committee must be independent non-executive directors, and the requirement under Rule 3.21 of the Listing Rules which requires the minimum number of the independent non-executive directors of the audit committee.

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 2014.

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 auditor 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 the Company.

The Group's consolidated financial statements for the year ended 31 December 2014 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, 22 May 2015 to Friday, 29 May 2015, 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, 21 May 2015 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, 21 May 2015.

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 2014 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 and Chief Executive Officer

Hong Kong, 30 March 2015

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