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 2015

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 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Revenue	4	**344,497**	497,281
Cost of sales		**(356,209)**	(468,625)
Gross (loss) profit		**(11,712)**	28,656
Interest income		**1,175**	999
Administrative expenses		**(36,556)**	(41,704)
Other expenses	5	**(6,610)**	(11,246)
Other gains and losses	6	**9,074**	13,247
Finance costs	7	**(29,026)**	(24,490)
(Impairment loss) reversal of impairment loss recognised on property, plant and equipment		**(64,726)**	2,110
(Impairment loss) reversal of impairment loss recognised on mining rights		**(22,527)**	9,811
(Impairment loss) reversal of impairment loss recognised on exploration and evaluation assets		**(58,395)**	20,546
Loss before taxation		**(219,303)**	(2,071)
Taxation credit (charge)	9	**44,778**	(21,414)
Loss for the year	10	**(174,525)**	(23,485)
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(34,232)**	(37,112)
Total comprehensive expense for the year		**(208,757)**	(60,597)
Loss for the year attributable to:			
Owners of the Company		**(144,343)**	(23,465)
Non-controlling interests		**(30,182)**	(20)
		(174,525)	(23,485)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(174,495)**	(60,612)
Non-controlling interests		**(34,262)**	15
		(208,757)	(60,597)
Loss per share	11		
Basic and diluted (HK cents)		**(2.81)**	(0.46)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**130,368**	216,261
Mining rights		**63,948**	88,078
Exploration and evaluation assets		**88,194**	186,268
Deposits		**11,661**	13,044
Deferred tax assets		**18,012**	—
		312,183	503,651
Current assets			
Inventories		**12,760**	17,194
Trade receivables	*12*	**20,537**	36,431
Other receivables, prepayments and deposits		**6,886**	8,352
Held-for-trading investments		**4,512**	4,484
Bank balances and cash		**163,965**	164,999
		208,660	231,460
Current liabilities			
Trade payables	*13*	**40,000**	31,129
Other payables and accruals		**84,522**	92,185
Amount due to a non-controlling shareholder of a subsidiary		**—**	4,283
Amount due to a related company		**—**	1,179
Obligations under finance leases		**373**	526
Convertible bonds		**175,721**	—
		300,616	129,302
Net current (liabilities) assets		**(91,956)**	102,158
Total assets less current liabilities		**220,227**	605,809

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**25,650**	25,650
Reserves	**216,082**	390,577
Equity attributable to owners of the Company	**241,732**	416,227
Non-controlling interests	**(34,651)**	(389)
Total equity	**207,081**	415,838
Non-current liabilities		
Obligations under finance leases	**903**	—
Convertible bonds	**—**	147,010
Deferred tax liabilities	**—**	28,442
Provision for rehabilitation	**12,243**	14,519
	13,146	189,971
	220,227	605,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

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 Hong Kong dollars ("HK$") as the directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

Basis of preparation and going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$174,525,000 for the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$91,956,000. In addition, the Company has outstanding convertible bonds ("Convertible Bonds") with principal amount of HK$176,400,000 as at 31 December 2015, which have matured on 3 March 2016 (the "Maturity Date of the Convertible Bonds").

Subsequent to the end of the reporting period, on the Maturity Date of the Convertible Bonds, at the request of the Company, the holder of the Convertible Bonds agreed in writing to defer the due date for payment of the redemption amount of the Convertible Bonds of HK$176,400,000 to 17 March 2016. The Company shall pay interest on the redemption amount at the rate of 8% per annum from 4 March 2016 to 17 March 2016 to the holder of the Convertible Bonds. The conversion period within which the holder of the Convertible Bonds might convert the Convertible Bonds into shares of the Company has, however, expired on 3 March 2016 and has not been correspondingly extended. On 17 March 2016, outstanding principal amount payable for the redemption of the Convertible Bonds was paid directly out of the proceed of the Loan (as defined below) by the Designated Proposed Subscriber (as defined below) on behalf of the Company and the interest accrued on the redemption monies from 4 March 2016 onwards was paid by the Company from its internal resources. The holder of the Convertible Bonds has surrendered the certificate of the Convertible Bonds to the Company for cancellation.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has the following measures:

a. On 29 April 2015, the Company and 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited)* (the "Initial Proposed Subscriber"), a third party independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules), have entered into a non-binding memorandum of understanding setting out the preliminary understandings in relation to the proposed subscription by the Initial Proposed Subscriber (or such other investment company which is owned by and/or

* *English name for identification purpose only*

affiliated with the Initial Proposed Subscriber as designated by it) for not less than 6,000,000,000 new ordinary shares of the Company or convertible bonds of equivalent value to be issued by the Company (the "Proposed Subscription").

As set out in the Company's announcement dated 26 February 2016, the Company and the Initial Proposed Subscriber entered into negotiations on a possible change of structure of the Proposed Subscription. The new structure of the Proposed Subscription involved the subscription of 5,250,000,000 new ordinary shares of the Company, by Power Investment Holding Limited (the "Designated Proposed Subscriber" or "Lender") or its wholly owned subsidiary, at the subscription price of HK$0.08 per share with a total subscription price of HK$420,000,000. The Designated Proposed Subscriber is a limited company incorporated in Hong Kong and is a member of the group of companies under the Initial Proposed Subscriber. The Initial Proposed Subscriber has designated the Designated Proposed Subscriber as the vehicle for entering into a legally binding subscription agreement with the Company for the Proposed Subscription.

In view of the fact that the Group did not have sufficient capital to repay the Convertible Bonds on the Maturity Date of the Convertible Bonds, on 16 March 2016, the Company, as the borrower, the Lender, and Mr. Xie Haiyu ("Mr. Xie") (who is a substantial shareholder of the Company holding approximately 19.39% of the entire issued share capital of the Company as at the same date), as the guarantor, entered into a loan agreement (the "Loan Agreement") pursuant to which the Lender has agreed and granted a loan in the principal sum of HK$176,400,000 (the "Loan") to the Company for the sole purpose of settling the principal amount upon the redemption of the Convertible Bonds.

Pursuant to the Loan Agreement, in the event that the Company and the Designated Proposed Subscriber enter into a legally binding subscription agreement for the Proposed Subscription and the completion of the subscription takes place on or before 17 June 2016 (or such other date as the parties may agree) (the "Long Stop Date"), the Loan will automatically be deemed to be partial payment of the subscription monies payable by the Designated Proposed Subscriber or its wholly owned subsidiary (as the case may be) under the Proposed Subscription and the Company will not be obliged to repay the Loan. In case the Proposed Subscription does not complete before the Long Stop Date, the Loan will be repayable on 31 March 2017. Interest of 8% per annum will be accrued from the date when the Company and the Designated Proposed Subscriber confirm not to proceed with the Proposed Subscription or from 17 June 2016 (whichever is earlier).

As of the date these consolidated financial statements were authorised for issuance, the Designated Proposed Subscriber and the Company are in the course of finalising the detailed terms and conditions of the subscription agreement for the Proposed Subscription on the basis of the new structure disclosed in the announcement of the Company dated 18 March 2016. Should the subscription agreement be entered into by the Company and the Designated Proposed Subscriber, the Proposed Subscription will then be subject to further approval from the shareholders of the Company at an extraordinary general meeting.

Details of the Proposed Subscription are disclosed in the Company's announcement dated 29 April 2015 and the latest updates on the Loan Agreement, the Redemption of Convertible Bonds and the Proposed Subscription are disclosed in the Company's announcement dated 18 March 2016.

b. The Group is also exploring other opportunities in raising funds, including but not limited to placing of shares of the Company or rights issue.

The directors of the Company believe that the Company will be able to implement the necessary measures as mentioned above before the Long Stop Date or the maturity date of the Loan and accordingly, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due for the foreseeable future. Accordingly, the directors of the Company prepared the consolidated financial statements on a going concern basis.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied all of the Amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the Group's financial year beginning on 1 January 2015.

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

New and revised HKFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2016.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods to be determined.

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 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 required to be 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 that 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 attributable to a 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 2015 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"

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 1 "Disclosure initiative"

The amendments to Hong Kong Accounting Standard ("HKAS") 1 "Presentation of financial statements" give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised or the presentation and disclosure 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 "Property, plant and equipment" prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 "Intangible assets" 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 principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

4. SEGMENT INFORMATION

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

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

Revenue from major products

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

	2015	2014
	HK$'000	*HK$'000*
Sales of tin concentrate	**344,497**	491,921
Sales of copper concentrate	**—**	5,360
	344,497	497,281

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 2015, non-current assets (excluding deposits and deferred tax assets) of the Group of HK$279,214,000 (2014: HK$485,454,000), HK$2,645,000 (2014: HK$3,673,000) and HK$651,000 (2014: HK$1,480,000) were located in Australia, the PRC and Hong Kong, respectively.

Information about sole customer

	2015	2014
	HK$'000	*HK$'000*
Yunnan Tin Australia TDK Resources Pty Limited ("YTATR")*	**344,497**	497,281

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

5. OTHER EXPENSES

The amount comprises legal and professional fees of HK$6,610,000 (2014: HK$11,246,000) for the year ended 31 December 2015.

6. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Fair value change of held-for-trading investments	**28**	(5,180)
Reversal of impairment loss on other receivables	**497**	568
Net foreign exchange gain	**8,537**	17,635
Gain on disposal of property, plant and equipment	**30**	224
Loss on deregistration of a subsidiary	**(18)**	—
	9,074	13,247

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interests on:		
Obligations under finance leases	**79**	96
Unwinding of discount on provision for rehabilitation	**236**	492
Effective interest expense on Convertible Bonds	**28,711**	23,902
	29,026	24,490

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

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the seven (2014: thirteen) Directors were as follows:

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

	Executive Directors					Non-Executive Directors			Independent Non-Executive Directors					
	CHEUNG Wai Kuen *HK$'000* *(note (x))*	NIE Dong *HK$'000* *(note (vi & x))*	WANG Chuanhu *HK$'000* *(note (x & xiii))*	CHEN Zhenliang *HK$'000* *(note (iii))*	PU Xiaodong *HK$'000* *(note (ix))*	Dr. SHI Simon Hao *HK$'000* *(note (iv & xi))*	QIU Guanzhou *HK$'000* *(note (vii))*	LI Xianghong *HK$'000* *(note (v))*	CHI Chi Hung Kenneth *HK$'000* *(note (xii))*	DENG Shichuan *HK$'000* *(note (viii & xii))*	James MUNN *HK$'000* *(note (viii & xii))*	GAO Dezhu *HK$'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 and allowances	—	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

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 5 September 2014.

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

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

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

(vi) Mr. Nie Dong was the Chief Executive Officer of the Company for the years ended 31 December 2015 and 2014 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. Pu Xiaodong resigned as director on 29 January 2014.

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

(xi) The non-executive directors' emoluments shown above were mainly for the services as directors of the Company.

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

(xiii) Mr. Wang Chunhu was appointed on 1 April 2014.

9. TAXATION CREDIT (CHARGE)

	2015	2014
	HK$'000	*HK$'000*
The credit (charge) comprises:		
Deferred tax credit (charge) for the year	**44,778**	(21,414)

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% (2014: 30%) on taxable profits on Australian incorporated entities. No tax is payable on the assessable profit for the year arising in Australia since the assessable profit is wholly absorbed by tax losses brought forward.

10. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**2,645**	2,760
Cost of inventories recognised as an expense	**356,209**	468,625
Depreciation of property, plant and equipment	**51,883**	73,917
Amortisation of mining rights included in cost of sales	**15,402**	24,753
Operating lease rentals in respect of rented premises and leasehold land	**2,204**	2,523
Staff costs (including directors' emoluments (note 8))		
— Salaries and other benefits	**64,013**	71,242
— Contributions to retirement benefit schemes	**4,490**	4,824
	68,503	76,066

11. LOSS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(144,343)**	(23,465)

	Number of shares	Number of shares
Number of ordinary shares for the purposes of basic and diluted loss per share	**5,130,000,000**	5,130,000,000

For the year ended 31 December 2015 and 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.

12. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**20,537**	36,431

The Group allows a credit period of 10 days after mutual agreement on grade and weights of tin or copper concentrates with the customers. The following is an aged analysis of trade receivables presented based on final invoice date at the end of the reporting period.

	2015	2014
	HK$'000	*HK$'000*
0–30 days	**20,537**	36,431

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. There is concentration of credit risk on a customer in both years. As at 31 December 2015 and 2014, the trade receivables are neither past due nor impaired with satisfactory credit quality under the management's assessment and with good past repayment record. The directors of the Company also believe that there is no impairment required for the trade receivables as at the end of the reporting period.

As at 31 December 2015 and 2014, the carrying amounts of the Group's trade receivables are all denominated in United State Dollars, currency other than the functional currency of the respective group entity.

13. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
0–30 days	**37,017**	30,186
31–60 days	**2,983**	943
Total	**40,000**	31,129

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

14. DIVIDEND

The Directors do not recommend any payment of a final dividend (2014: NIL).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2015, the appreciation of USD affected the metal price. The annual average tin cash settlement price of London Metal Exchange (LME) maintained at USD16,053 per tonne for the year ended 31 December 2015 (2014: USD21,893 per tonne), a year-on-year drop of 26.7%.

The total production volume of tin metal of the Renison underground mine in 2015 was 6,817 tonnes (2014: 6,887 tonnes), a decrease of approximately 1.0% year-on-year. The Group, having 50% interest in the Renison underground mine, is entitled 3,408 tonnes of tin metal (2014: 3,447 tonnes) available for sale.

For the year ended 31 December 2015, the Group recorded a turnover of HK$344,497,000, decreased by approximately 30.7% as compared with last year. The annual gross loss reached HK$11,712,000 (with gross loss margin of approximately 3.4%) compared with last year's gross profit of HK$28,656,000 (with gross profit margin of approximately 5.8%), which was mainly attributable to the decrease in tin price significantly during the year. The Group's audited consolidated loss attributable to the Company's shareholders for the year ended 31 December 2015 amounted to HK$144,343,000 (2014: HK$23,465,000). An increase in loss was mainly due to the slump of tin price that led to an impairment loss on the asset value of the Renison underground mine of approximately HK$145,648,000.

During the year, USD against AUD rose significantly by nearly 10%. Since the Group's sales of tin concentrate was denominated in USD, while the operating costs of the Renison underground mine were paid in AUD, the depreciation of AUD against USD had a positive effect on the Group's operating cash flow.

The Renison underground mine continued exploration in 2015 to discover potential tin resources and reserves. Under the comparison of the estimates as at 31 December 2015 and 31 December 2014 in respect of the mine's estimation reports, the total mineral resources of the Renison underground mine increased by 4% year-on-year (from 12,337,000 tonnes to 12,875,000 tonnes) and the total ore reserves increased by 13% year-on-year (from 5,911,000 tonnes to 6,673,000 tonnes). Such increase in resources and reserves will provide a solid base for production expansion.

In 2015, the Group oversaw 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 underground mine. The Group's management will continually make efforts to improve the productivity and efficiency of the Renison underground mine in the future.

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 2015 amounted to approximately HK$344,497,000 (2014: HK$497,281,000), decreased by approximately of 30.7% from that of last year. The Group's revenue decreased due to tin price decreased significantly during the 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$356,209,000 for the year ended 31 December 2015 (2014: HK$468,625,000), representing 103.4% of the revenue recorded in the corresponding year (2014: 94.2%).

Gross (loss) profit

The Group had a gross loss of approximately HK$11,712,000 (2014: a gross profit of approximately HK$28,656,000) with gross loss margin at 3.4% for the year ended 31 December 2015 (2014: gross profit margin at 5.8%).

Administrative expenses

Administrative expenses, which represented approximately 10.6% of the Group's revenue, decreased by approximately 12.3% from HK$41,704,000 for the year ended 31 December 2014 to approximately HK$36,556,000 for the year ended 31 December 2015, mainly due to the decrease in administrative staff costs.

Finance costs

Finance costs representing 8.4% of the Group's revenue in this year, increased from HK$24,490,000 for the year ended 31 December 2014 to HK$29,026,000 for the year ended 31 December 2015. Such increase was mainly due to the increase in effective interest expenses on the convertible bonds.

Loss for the year

The Group's audited consolidated loss attributable to the Company's shareholders for the year ended 31 December 2015 amounted to HK$144,343,000 (2014: HK$23,465,000). An increase in loss was mainly due to the slump of tin price that led to an impairment loss of approximately HK$145,648,000 in aggregate on mining related property, plant and equipment, mining rights and exploration and evaluation assets allocated to the cash generating unit of the Renison underground mine during the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 31 December 2015, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$1,276,000 (2014: HK$526,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 60.2% as at 31December 2015 (2014: 43.4%).

As at 31 December 2015, the Group had net current liabilities of approximately HK$91,956,000 (2014: net current assets of approximately HK$102,158,000). Current ratio as at 31 December 2015 was 0.7 (2014: 1.8). The bank and cash balance of the Group as at 31 December 2015 was approximately HK$163,965,000 (2014: HK$164,999,000).

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

In addition, the Company had outstanding convertible bonds with principal amount of HK$176,400,000 as at 31 December 2015, which has matured and become redeemable on 3 March 2016 at par. The Company has obtained a loan to finance the payment of principal amount payable for redemption of the Convertible Bonds. Please refer to the section headed "Convertible Bonds" for further details.

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

PROPOSED SUBSCRIPTION

On 29 April 2015, the Company and 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited)* (the "Initial Proposed Subscriber") entered into a non-binding memorandum of understanding (the "Memorandum of Understanding") setting out the preliminary understandings of the parties in relation to the proposed subscription of not less than 6,000,000,000 new ordinary shares of the Company at a tentative price of HK$0.25 per share or convertible bonds of equivalent value by the Initial Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Initial Proposed Subscriber as designated by it).

During the course of negotiation of the terms of the proposed subscription, Power Investment Holding Limited (the "Designated Proposed Subscriber") has been designated by the Initial Proposed Subscriber as the vehicle for entering Subscription agreement, if the proposed subscription of new shares of the Company (the "Proposed Subscription") materialises. The Designated Proposed Subscriber is a limited company incorporated in Hong Kong and is a member of the group of companies under the Initial Proposed Subscriber.

* *English name for identification purpose only.*

The Company and Designated Proposed Subscriber were negotiating on a possible change of structure of the Proposed Subscription. The new structure of the Proposed Subscription involves the subscription of 5,250,000,000 Shares, representing approximately 102.34% of the existing issued share capital of the Company and 50.58% of the issued share capital of the Company as enlarged by the Proposed Subscription, by the Designated Proposed Subscriber or its wholly owned subsidiary (as the case may be) at the subscription price of HK$0.08 per Share with a total subscription price of HK$420,000,000.

If the Proposed Subscription is to proceed with the new structure, its completion will still result in a change of control of the Company. As such, the Designated Proposed Subscriber or its wholly owned subsidiary (as the case may be) would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it and it is no longer intended that the Proposed Subscription would be conditional upon the granting of whitewash waiver. The offer price for Shares under such general offer would remain to be HK$0.25 per ordinary share of the Company ("Share") notwithstanding the proposed reduction of the subscription price. The Company and the Designated Proposed Subscriber are in the course of finalising the detailed terms and conditions of the Subscription Agreement on the basis of this new structure. Other than the Memorandum of Understanding and the Loan Agreement (as defined in the section headed "Convertible Bonds"), no formal or legally binding agreement has been entered into between the Company and the Initial Proposed Subscriber or the Designated Proposed Subscriber in respect of or in connection with the Proposed Subscription.

In the event that the parties enter into a legally binding subscription agreement for the Proposed Subscription under which the Designated Proposed Subscriber (or its wholly owned subsidiary) will be the subscriber and completion of which takes place on or before 17 June 2016 (or such other date as the parties may agree) ("Long Stop Date"), the Loan (as defined in the section headed "Convertible Bonds" below) will automatically be deemed as partial payment of the subscription monies payable by the Designated Proposed Subscriber or its wholly owned subsidiary (as the case may be) under the Proposed Subscription and the Company will not be obliged to repay the Loan.

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 was settled by the issuance of Convertibles Bonds. On the completion date, being 4 March 2011, the Company issued zero-coupon Convertible Bonds with principal amount of HK$773,500,000 with maturity of five years. Since 6 March 2013, the outstanding principal amount of the Convertible Bonds was reduced to HK$176,400,000.

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

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

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

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

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

CHARGES OF ASSETS

As at 31 December 2015, our obligation under finance lease of HK$1,276,000 (2014: HK$526,000) was secured by property, plant and equipment of an amount of approximately HK$1,308,000 (2014: HK$794,000).

CONTINGENT LIABILITIES

As at 31 December 2015, 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$603,000 capital commitment as at 31 December 2015 (2014: HK$1,600,000).

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2015, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$48,272,000 (2014: HK$51,366,000). As at 31 December 2015, the Group's equity securities listed in Hong Kong amounted to approximately HK$4,512,000 (2014: HK$4,484,000).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisition and disposal during the year 2015.

SHARE OPTION SCHEME

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

On 17 January 2011, the Company granted 110,000,000 share options to certain directors of the Company, employees and consultants of the Group. No consideration was received for the grant of the options. 50% of options are exercisable 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 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 2015.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 28 employees (2014: 30). 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 People's Republic of China (the "PRC"). The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

MINES INFORMATION

Renison Tin Project

Renison Mine located in Tasmania has been one of the major hard rock tin mines in the world and is the Australia's largest primary tin producer. Tin mining has been carried out at or near Renison since alluvial tin was discovered in 1890. Over the operational history, the mine was owned by several operators. In May 2003, the operation was suspended and Bluestone Mines Tasmania Pty Limited ("BMT") purchased the mine in 2004 and commenced redevelopment of the mine. After the acquisition of BMT by Metals X Limited ("Metals X"), the mine restarted in 2008. In March 2010, YTPAH completed the acquisition of 50% in BMT's assets. Under the joint venture agreement between YTPAH and BMT, an unincorporated joint venture ("JV") as a cooperative operator and an incorporated joint venture, Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") as a manager to the JV, were formed by both parties on a 50:50 basis. In March 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin PRC indirectly holds 18% interest of YTPAH. The Company has participated in the management of the JV through the interest held in YTPAH. YTPAH is an indirectly owned subsidiary of the Company. BMT is a wholly-owned subsidiary of Metals X which is a company listed on the 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 mine"), (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 mine 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 mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m in waste/mullock.

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

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

Sampling/Assaying

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

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

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

Geology/Geological Interpretation

Renison underground mine is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. Renison underground mine is the largest of three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The Renison underground mine area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-Cambrian siliciclastic and volcaniclastic rocks. At Renison underground mine, 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 mine has currently been mined over a strike length of >1,950m, a lateral extent of >1,250m and a depth of over 1,100m.

Database

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

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

Estimation and modelling techniques

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

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

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

Grade estimation 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 mine based on economic assessment and current operating and market parameters.

Metallurgical and Mining Assumptions

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

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

Classification

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

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

Estimated Tin and Copper Reserves and Resources

For the year ended 31 December 2015, 232 core holes with NQ2 for 21,955 meters of core holes in total has been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

As of 31 December 2015, the JORC compliant resources and reserves of Renison underground mine are categorized as follows:

Upgraded Resource and Reserve Estimates for Renison underground mine as at 31 December 2015

	TIN			**COPPER**		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Measured	1,225	1.94	23,763	1,148	0.55	6,293
Indicated	8,276	1.43	118,118	7,746	0.31	24,109
Inferred	3,374	1.38	46,633	3,117	0.26	8,175
Total	12,875	1.46	188,514	12,011	0.33	38,577
Reserves						
Proven	1,313	1.60	21,007	1,313	0.43	5,695
Probable	5,360	1.22	65,214	5,038	0.25	12,424
Total	6,673	1.29	86,221	6,351	0.28	18,119

During the year under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison underground mine. 1,088 meters of capital waste, 801 meters of capital decline and 3,326 meters of sill development were advanced during the period. 6,817 tonnes of tin metal was produced from Renison underground mine and 0 tonne from Mount Bischoff, and processed ores averaging 1.44 % Sn. No development or recovery production activities were carried out for Rentails.

For the year ended 31 December 2015, a total of HK$54,611,000 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 2015

Included	*HK$'000*
Mining costs	363,043
Processing costs	133,339
Transportation	3,311
Royalties/fee payable to government	6,125
Financing costs	315

Capital Expenditure for the year ended 31 December 2015

Addition	*HK$'000*
Property, Plant and Equipment	48,272
Exploration and Evaluation Assets	6,339
Total	54,611

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

Total Resource and Reserve Estimates as at 31 December 2015

	TIN			COPPER		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Renison underground mine	12,875	1.46	188,514	12,011	0.33	38,577
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	21,841	0.45	97,809	21,841	0.22	48,181
Total	36,383	0.81	295,304	33,852	0.26	86,758
Reserves						
Renison underground mine	6,673	1.29	86,221	6,351	0.28	18,119
Mount Bischoff	—	—	—	—	—	—
Rentails	20,965	0.45	93,863	20,965	0.22	46,293
Total	27,638	0.65	180,084	27,316	0.24	64,412

The above information is extracted from a Mineral Resources and Ore Reserve estimate report complied by BMTJV technical employees under the supervision of Mr. Colin Carter, who is a member of the Australian Institute of Geoscientists and Mr. Allan King B App Sc (Mining Engineering), M.AusIMM respectively. The above information of the report is updated to its preparation date as at 30 June 2015, and the report will be updated annually. From 1 July 2015 to 31 December 2015, approximately 341,071 tonnes of tin ore were extracted from Renison underground mine.

Renison Underground Mine

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

The mine is adjacent to the sealed Murchison Highway which connects Renison underground mine 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 mine does not use the railway for its products, but rather loads the tin concentrate in 2 tonnes metal bins which are trucked to Burnie for containerizing and export.

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

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

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital has been estimated to be approximately AUD213 million +/–15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to 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 PRC 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 PRC to appraise the project and provide recommendation for their consideration. For the year ended 31 December 2015, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

Renewal of mining lease

The Mining Lease in respect of the Renison underground mine will expire on 1 August 2016. YTPAH and BMT will apply to Mineral Resources Tasmania of Tasmania Government for renewal of such lease before its expiry.

Mining arrangement

BMTJV has considered the cost effectiveness of operating the Renison underground mine via engagement of contractor. Upon the expiry of the contract with the existing contractor on 31 March 2016, the contract will be extended to 30 April 2016. BMTJV will form its own operating team to undertake the mining activities of the mine.

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. The Group has been disputing the validity of such agreement and does not admit that such agreement is binding on YTPAH. YTATR has requested YTPAH to pay a fee for management services rendered by it up to 31 December 2015.

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

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

LITIGATIONS

HCA 1357/2011

The legal proceedings involves the disputes regarding 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$85,657,000), 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 Company"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) in breach of the Parksong S&P Agreement, Mr. Chan unilaterally caused an Australian subsidiary of HK Company, YT Parksong Australia Holding Pty Limited, to enter into a tin concentrate package purchase underwriting agreement and a management agreement with Yunnan Tin Australia TDK Resources Pty Ltd. for a period of life of the mine on 1 December 2010, 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$162,205,000 in total) and damages etc.

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 (and subsequently amended on 10 July 2012 and 5 June 2013) ("AR&DC") that (1) the third set of documents as pleaded in the AD&C reflected the correct position and understanding of Mr. Chan, GPL and the Company in making the Parksong S&P Agreement, and (2) that the Payables due under the Parksong S&P Agreement was at the sum of AUD3,244,520.24, Mr. Chan has denied the claims made by GPL and the Company in the AD&C.

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

For the AUD16.3 Million Issue, from June to December 2013, GPL and the Company had made and dealt with applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information. In July 2014, GPL and the Company made application to amend AD&C including the AUD16.3 Million Issue. An application for joinder of parties was also made in July 2014. Further, an application for expert evidence ("the said Expert Evidence Application") on various issues (as mentioned below) including the AUD16.3 Million Issue was made in August 2014. Meanwhile, GPL and the Company also sought confirmation from Yunnan Tin Group (Holding) Company Limited ("Yunnan Tin PRC"), a shareholder of HK Company, on the AUD16.3

Million Issue. Yunnan Tin PRC in July 2015 replied that Yunnan Tin PRC had contributed a loan of AUD16.3 million to HK Company. On 3 June 2015, Mr. Chan also made application to amend AR&DC on the AUD16.3 Million Issue ("Plaintiff's Application").

For the issue on production shortfall, compensation is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong's advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for production shortfalls are in sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately of HK$28,031,000 in total). Under the said Expert Evidence Application, GPL and the Company also submitted applications for expert evidence on the amount of compensation on production shortfall.

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

After an initial hearing on 19 December 2014 in respect of GPL's and the Company's applications on the issue of joinder of additional party, the said Expert Evidence Application and application for the Defendants' pleading amendment ("Defendants' Applications"), further hearings for Defendants' Applications had been scheduled to 28–29 July 2015. As mentioned above, the Plaintiff's Application was made by Mr. Chan on 3 June 2015. The Plaintiff's Application was first heard on 28–29 July 2015 with the result that the Defendants' Applications had to be further adjourned which shall be fixed after the Court has made a decision on the Plaintiff's Application ("Court's Decision"). The Court's Decision is still pending and would be handed down any time.

The legal proceedings are now being considered with these additional evidence and related investigation and development. 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 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 2015.

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

- the audit committee ("Audit Committee") shall only comprise independent non-executive directors; and
- the independent non-executive directors may at any time communicate with the external auditor of the Company to seek independent professional advices when they deem necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2015.

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 the Company.

The Group's consolidated financial statements for the year ended 31 December 2015 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 Monday, 23 May 2016 to Friday, 27 May 2016, 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 Friday, 20 May 2016 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 for registration not later than 4:30 p.m. on Friday, 20 May 2016.

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 2015 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 2016

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