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

(formerly known as Goodtop Tin International Holdings Limited 萬佳錫業國際控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 195)

Annual Report 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Zhenliang *(Chairman)*
Mr. Nie Dong *(CEO)*
Mr. Cheung Wai Kuen
Mr. Pu Xiao Dong

Non-executive Directors

Professor Qiu Guanzhou
Mr. Li Xiang Hong

Independent Non-executive Directors

Mr. Gao Dezhu
Mr. Kang Yi
Mr. Chi Chi Hung, Kenneth

BOARD COMMITTEES

Audit Committee

Mr. Chi Chi Hung, Kenneth *(Chairman)*
Mr. Gao Dezhu
Mr. Kang Yi

Remuneration Committee

Mr. Gao Dezhu *(Chairman)*
Mr. Nie Dong
Mr. Kang Yi
Mr. Chi Chi Hung, Kenneth

Nomination Committee

Mr. Kang Yi *(Chairman)*
Mr. Cheung Wai Kuen
Mr. Gao Dezhu
Mr. Chi Chi Hung, Kenneth

COMPANY SECRETARY

Ms. Tse Wun Ying

AUTHORISED REPRESENTATIVES

Mr. Nie Dong
Ms. Tse Wun Ying

PRINCIPAL BANKERS

In Hong Kong
The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2607, 26th Floor
Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 28, Three Pacific Place
1 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

www.lsea-resources.com

STOCK CODE

00195

CEO STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I hereby present the annual report of L'sea Resources International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

In 2012, under the influence of the European debt crisis and the US fiscal cliff, the recovery in global economy was slower than expected. The tin price was depressed during the year, which maintained at a price below USD20,000 per tonne from May to September. In August, the tin price recorded the lowest level at USD17,625 per tonne for the past two years. However in October, tin price gradually moves upwards, and closed at around USD23,500 per tonne at the end of the year. In the year ahead, the tin price is expected to have a steady upward trend, maintaining at a range from USD23,000 per tonne to USD25,000 per tonne.

The total production volume of contained tin in concentrate of the Renison underground mine in year 2012 was 5,849 tonnes (2011: 5,012 tonnes), representating an increase of approximately 16.7%.

The management of the Group has decided to improve productivity. The Group has replaced a new mining contractor in March 2013 upon expiration of the contract with the old contractor. For the equipment, Renison mine replaced an existing mine processing filter and installed two new gravity concentrators in order to improve the feed rate of the processing capacity and the recovery capacity. In 2013, Renison mine will focus in mining the high grade area. In view of the above measures, the management is of the view that the Renison mine will enhance the Group's revenue stream and contribute positively to the Group's performance in the coming years as its optimal production level is achieved.

Due to the current unstable global economy, the Group will actively seek to explore mineral projects that are under-valued and strives to further explore our existing business, such as establishing research and development cooperative efforts with International Biohydrometallurgy Society for biological hydrometallurgy technology, with an aim to maximize our long term return for the shareholders.

During the year, the Board has appointed mining and resources experts, whom have contributed enormously in the exploration of resources business of the Group. For daily operation, a management team was built in Australia to strengthen the administration management and improve the performance.

On behalf of the Board, I would like to take this opportunity to thank the shareholders and investors for their continuous support, as well as the management and the staff for their commitment and dedication towards ensuring the success of the Group. My heartfelt gratitude also goes to our customer, suppliers and business associates for their cooperation. At last, I would also like to record my appreciation to my fellow directors on the Board for their invaluable contribution throughout the year.

Nie Dong
Executive Director & Chief Executive Officer

MARKET REVIEW

In 2012, affected by the macro-economy, the tin market experienced an overall downward trend as the demand diminished gradually. Improvement occurred in the fourth quarter, and tin price was performing poorly during the year. Tin price has resumed an upward trend since the fourth quarter.

In 2012, the trend of tin price can be divided into three stages: (1) From January to March, the European debt crisis alleviated, tin prices was in an upward trend. (2) From April to September, demand of tin was diminished, and tin price was gradually in a diminishing stage. (3) From October to December, tin productivity rose as a result of increasing demand, and tin price was at a steady upward trend.

BUSINESS OVERVIEW

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

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

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

PROSPECT

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

Revenue

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

Cost of sales

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

Gross profit and margin

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

Other gains and losses

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

Administrative expenses

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

Finance costs

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

Pursuant to the sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") dated 13 July 2010 ("Parksong S&P Agreement") signed between Mr. Chan Kon Fung ("Mr. Chan") as the vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor, part of the consideration is settled by the issuance of convertible bonds. On the Completion Date, the Company issued zero-coupon convertible bonds with principal amount of HK$773.5 million with maturity of five years. The convertible bonds were denominated in HK$ and entitled the holders to convert them into shares of the Company at any time within 5 years from the date of issue of the convertible bonds, at the conversion price of HK$1.47 per share. If the convertible bonds had not been converted, they would be redeemed on 3 March 2016 at par.

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

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

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

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

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

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

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

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

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

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

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

Taxation

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

The Group currently does not maintain a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Loan capitalisation

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

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

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

Placing

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

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

CHARGES OF ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2012, except for the litigations as set out in note 41, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITION AND DISPOSAL

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

SHARE OPTION SCHEME

On 21 October 2008, the Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Eligible participants of Scheme include, without limitation, employees, Directors, shareholder and any other eligible persons of the Group. Up to 31 December 2012, no share option has been granted or agreed to be granted to any person under the Scheme.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group employed approximately 36 employees (2011: 31). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-owned retirement benefit scheme in the PRC. The employees for mining operation are employed by Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited (" BMT"). These BMTJV employees and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

MANAGEMENT DISCUSSION AND ANALYSIS

MINES INFORMATION

Estimated Tin Reserves and Resources

For the year ended 31 December 2012, 31,476 meters of core holes in total has been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves. In addition, some near-surface resources had been added to the overall resources, which amounted to a total resource of 150,914 tonnes contained in tin metals from 9,640,015 tonnes ores averaging 1.57% Sn.

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

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

Category	Tonnage (kt)	Grade% Sn	Contained Sn(t)
Resources			
Measured	**1,180**	**1.99%**	**23,524**
Indicated	**6,146**	**1.45%**	**89,393**
Inferred	**2,314**	**1.64%**	**37,997**
Total	**9,640**	**1.57%**	**150,914**
Reserve			
Proven	**218**	**1.55%**	**3,377**
Probable	**3,742**	**1.38%**	**51,649**
Total	**3,960**	**1.39%**	**55,026**

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

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

Capital Expenditure for the year ended 31 December 2012

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

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

Total Resource and Reserve Estimates as at 31 December 2012

Category	Tonnage (kt)	Grade% Sn	Contained Sn(t)
Resources			
Renison	9,640	1.57%	150,914
Mount Bischoff	1,667	0.54%	8,981
Rentails	20,461	0.45%	91,839
Total	31,768	0.79%	251,734
Reserve			
Renison	3,960	1.39%	55,026
Mount Bischoff	–	–	–
Rentails	19,619	0.45%	87,797
Total	23,579	0.61%	142,823

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

HCA 1357/2011

The proceedings involves disputes arisen from the Parksong S&P Agreement. The completion of the acquisition of Parksong took place on 4 March 2011.

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

Both GPL and the Company stated in their Defence and Counterclaim dated 11 October 2011 that due to the facts of (1) Mr. Chan has failed to make a payment to GPL in settlement of payables payable under the Parksong S&P Agreement; (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who is the owner of an advanced sum of AUD16.3 million to a Hong Kong company ("HK Co."), a majority-owned subsidiary of Parksong before the completion of the acquisition; (3) Mr. Chan has caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company without the consent of GPL; and (4) the under production of contained tin in concentrate from the mine in Australia, which breached the respective terms and/or warranties in the Parksong S&P Agreement, as a result, GPL has suffered loss and damages. GPL and the Company therefore claimed that they are not liable to make the payment of the said sum in the Claim to Mr. Chan. GPL further counterclaimed Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$223,891,000 in total) and damages etc in the Defence and Counterclaim ("Counterclaims").

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

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

HCA 2184/2011

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

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

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. XIE Hai Yu (謝海榆), aged 48, has been the Executive Director and Chairman of the Company since November 2011 and resigned on 8 March 2013. He graduated from South China University of Technology majoring in Industrial Management Engineering in Guangdong Province, the PRC, and completed the study of EMBA programme from Sun Yat-sen University in Guangzhou in 2001. Mr. Xie has over 28 years of experience in engineering construction and management field and 19 years of experience in property development and corporate management. From 1983, Mr. Xie organized and participated in the construction and management of various domestic projects, including the engineering construction projects of large scale naval ports, airports and barracks. Mr. Xie is currently the chairman of the board of a property development corporation in the PRC, business of which covers more than 10 cities and regions including Guangzhou, Foshan, Zhengzhou, Changsha, Nanning, Qingdao, Guiyang and Haikou. Mr. Xie is the Executive Director of Sing Pao Media Enterprises Limited (Stock Code: 08010), a company listed on The Stock Exchange of Hong Kong Limited.

Mr. Chen Zhenliang (陳振亮), aged 60, has been a Non-Executive Director of the Company since September 2012. He is re-designated from Non-Executive Director to Executive Director and appointed as the Chairman of the Board with effect from 1 April 2013. He is a senior engineer with post-graduate qualification. Mr. Chen is currently the director, general manager and vice secretary of the party committee of Guangdong Rising Nonferrous Metals Group Co. Limited. He is also an expert member of China Non-ferrous Metals Expert Committee. Since 2009 and 2011, Mr. Chen has been a director of Rising Nonferrous Metals Share Co., Limited (Stock Code: 600259), a company listed on the Shanghai Stock Exchange; and Shenzhen Zhongjin Lingnan Nonfemet Company Limited (Stock Code: 000060), a company listed on the Shenzhen Stock Exchange respectively.

Mr. CHEUNG Wai Kuen (張偉權), aged 39, has been an Executive Director of the Company since December 2009. He has been also a member of the Nomination Committee of the Company since March 2012. Mr. Cheung has over 10 years' extensive experience in capital management and corporate management. Mr. Cheung has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. Mr. Cheung is currently the chairman and executive director of G-Prop (Holdings) Limited (Stock Code: 00286), a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Nie Dong (聶東), aged 45, has been an Executive Director of the Company since August 2012. He is also appointed as the Chief Executive Officer ("CEO") and member of the Remuneration Committee of the Company on 8 March 2013. Mr. Nie graduated from Chongqing Institute of Architecture and Engineering with a degree in Architecture; and obtained a postgraduate diploma in "Integrated Marketing Communications" co-organized by the University of Hong Kong and Sun Yat-sen University in 2003. Mr. Nie has about 20 Years' experience in architectural design, marketing and corporate governance. Prior to joining the Group, Mr. Nie was the general manager of the marketing department of L'sea China Holdings Limited and sales director of the group from the year of 2010 to 2011 and mainly responsible for group strategic planning, commercial operation, sales and marketing, land development and customer services.

Mr. Pu Xiao Dong (蒲曉東), aged 44, has been an Executive Director and the CEO of the Company since August 2012. He resigned as the CEO of the company on 8 March 2013. Mr. Pu holds a master of business administration degree from La Trobe University, Australia. He has over 15 years' experience in management and business development. Prior to joining the Group, Mr. Pu was the CEO of Shanghai Prosolar Resources Development Co., Ltd. (formerly known as Xiamen Prosolar Real Estate Co., Ltd.) (Stock Code: 600193), a company listed on the Shanghai Stock Exchange for four years.

NON-EXECUTIVE DIRECTORS

Professor Qiu Guanzhou (邱冠周), aged 64, has been a Non-Executive director of the Company since August 2012. He is a renowned specialist in the practice of mineral engineering. Professor Qiu was the vice-president of the Central South University of Technology and the Central South University. He was elected as academician of The Chinese Academy of Engineering in December 2011. Prior to joining the Group, Professor Qiu has long been focusing on the research of the use and processing of low-grade and comples metal and mineral resources and achieved outstanding results in very fine particles and sulfide mineral flotation and separation as well as direct reduction of iron ores. In particular, he made great contribution to biological metallurgy of low-grade sulfide ores and was venerated as a state technology specialist with outstanding contribution. He has published over 97 technical scientific papers and 5 books and was awarded 6 National Awards. He was the academic leader of Innovative Groups of the National Natural Science Foundation of China in 2003, named the Chief scientist of State 973 Project in the field of biological metallurgy two years in 2004 and 2009, appointed the president of the 19th International Biometallurgy Symposium and elected as vice president of International Biometallurgy Society. Professor Qiu is the independent non-executive director of China Daye Non-Ferrous Metals Mining Limited (Stock Code: 00661), a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Li Xiang Hong (李向鴻), aged 45, has been a Non-Executive Director of the Company since March 2013. He holds a bachelor degree in history from Anhui Normal University and a master degree in law from Party School of the Central Committee of the C.P.C. Mr. Li has been as the Chairman of Munsun Asset Management Limited since 2007. Mr. Li has extensive resources in the investment and finance sectors in the PRC and possesses experience in the restructuring of listed companies in Hong Kong. Mr. Li also was as executive director for the Company from December 2010 to April 2011.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Dezhu (高德柱), aged 73, has been an Independent Non-executive Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee of the Company since September 2012. Mr. Gao graduated from the Fushun College of Education in 1962 with a bachelor's degree. Mr. Gao was previously an independent non-executive director of China Molybdenum Co. Limited (Stock Code: 03993), a company listed on the Stock Exchange of Hong Kong Limited and Ningxia Orient Tantalum Industry Co. Limited (Stock Code: 000962), a company listed on the Shenzhen Stock Exchange. Mr. Gao is currently an independent non-executive director of Jiangxi Copper Co. Limited (Stock Code: 00358), Jinchuan Group International Resources Co. Limited (Stock Code: 02362), companies listed on the Stock Exchange of Hong Kong Limited and Rising Nonferrous Metals Share Co. Limited (Stock Code: 600259), and Western Mining Co. Limited (Stock Code: 601168), companies listed on the Shanghai Stock Exchange.

Mr. Kang Yi (康義), aged 72, has been an Independent Non-executive Director, the Chairman of the Nomination Committee, a member of the Audit Committee and the Remuneration Committee of the Company since September 2012. Mr. Kang graduated from Central-South Institute Of Mining and Metallurgy with a university diploma in Non-ferrous Metallugy in August 1965. He is a professor of engineering and is currently the Honourable Chairman of the China Non-ferrous Metals Industry Association. Mr. Kang was an independent non-executive director of Aluminum Corporation of China Limited (Stock Code: 02600), a company listed on the Stock Exchange of Hong Kong Limited. He is currently an independent non-executive director of Hunan Nonferrous Metals Corporation Limited (Stock Code: 02626), a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Chi Chi Hung, Kenneth (季志雄), aged 44, has been an Independent Non-executive Director, the Chairman of the Audit Committee and the member of the Remuneration Committee since October 2012. He is also appointed as the member of the Nomination Committee on 8 March 2013. He has over 20 years of experience in accounting and financial control area. Mr. Chi holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. He was an independent non-executive director of Interchina Holdings Co., Limited (Stock Code: 00202), a company listed on the Stock Exchange of Hong Kong Limited, from October 2011 to August 2012. Mr. Chi is currently an executive director of Hua Yi copper Holdings Limited (Stock Code: 00559), China Sandi Holdings Limited (formerly known as China Grand Forestry Green Resources Group Limited (Stock Code: 00910), M Dream Inworld Limited (Stock Code: 08100) and Morning Star Resources Limited (Stock Code:00542), companies listed on the Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (formerly known as ZMAY Holdings Limited (Stock Code: 08085), Aurum Pacific (China) Group Limited (Stock Code: 08148), China Natural Investment Co. Limited (Stock Code: 08250), Perfect Shape (PRC) Holdings Limited (Stock Code: 01830) and Noble Century Investment Holdings Limited (formerly known as Sam Woo Holdings Limited) (Stock Code: 02322), companies listed on the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Ms. Tse Wun Ying (謝煥英), aged 52, has been the Chief Financial Officer and Company Secretary of the Company since December 2012. Ms. Tse graduated from the Hong Kong Polytechnic University in Accountancy in 1984. She obtained a Master Degree in China Accountancy from Guangzhou Jinan University in January 2004. She is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow of Association of the Chartered Certified Accountants, an associate member of the Institute of the Chartered Accountants in England and Wales. She has been also a member of the Taxation Institute of Hong Kong and registered as a Certified Tax Advisor since 2010. She has over 26 years of experience in financial management in various commercial and industrials sectors. Prior to joining the Group, Ms. Tse was previously a chief financial officer, financial controller, qualified accountant and company secretary of several companies listed on the Stock Exchange of Hong Kong Limited.

Mr. Wong Tak Shing (黃德盛), aged 50, has been the Regional Chief Financial Officer of the Company since March 2011, and is principally responsible for the financial and operation of the Renison project. Mr. Wong graduated from the University of New England, Australia with a Postgraduate Diploma in Financial Management and from the University of Southampton, U.K. with a Bachelor of Social Science in Business Economics and Accounting. Mr. Wong is currently an associate member of the CPA Australia and an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 24 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong is currently an independent non-executive director of China Digital Licensing (Group) Limited (Stock Code: 08175), a company listed on the Stock Exchange of Hong Kong Limited. Mr. Wong was previously an executive director of China Neng Xiao Technology (Group) Limited (Stock Code: 08047) and Sing Pao Media Enterprises Limited (Stock Code: 08010), an independent non-executive director of Sun Innovation Holdings Limited (Stock Code: 0547), companies listed on the Stock Exchange of Hong Kong Limited.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of L'sea Resources International Holdings Limited (the "Company") are committed to maintaining high standard of corporate governance which is reviewed and strengthened on a continued basis. The Company has adopted all the provisions under the "Code on Corporate Governance Practice" (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. For the year ended 31 December 2012, the Company has complied with all provision under the Code.

GOVERNANCE STRUCTURE

To enhance accountability, transparency, independence, responsibility and fairness to the shareholders and stakeholders, the Company is dedicated to develop an appropriate framework of corporate governance for the Company and its subsidiaries (the "Group"). The Company's corporate governance structure includes the Board and three committees under the Board, namely audit committee, remuneration committee and nomination committee (the "Three Committees"). The Board stipulates the terms of reference of all committees in writing and specifies clearly the power and responsibilities of the committees.

BOARD OF DIRECTORS

Board functions

The Board is principally responsible for establishing the development direction of the Group, formulating targets and business development plans, approving major agreements and matters, monitoring the performance of senior management and is responsible for corporate governance with a view to increasing shareholders' value. Led by the Chief Executive Officer, the management is responsible for implementing the strategies and plans developed by the Board.

The Company has developed a schedule of matters reserved to the Board for its decision and has separately identified those functions reserved to the Board. The Board will review those arrangements on a regular basis to ensure that the arrangements meet the needs of the Company.

Board composition

The Board comprised nine directors (the "Directors"), of which four Executive Directors (the "ED"), namely, Mr. Chen Zhenliang (Chairman), Mr. Nie Dong (Chief Executive Officer (the"CEO")), Mr. Cheung Wai Kuen and Mr. Pu Xiao Dong; two Non-Executive Directors (the "NED"), namely, Mr. Qiu Guan Zhou and Mr. Li Xiang Hong; and three Independent Non-Executive Directors (the "INED"), namely, Mr. Gao De Zhu, Mr. Kang Yi and Mr. Chi Chi Hung, Kenneth. The biographical details of the existing Directors of the Company and the relationships among them as at the date of this report are set out in the Directors' and Senior Management's Profile section on pages 13 to 15 of this annual report. Save as disclosed in this annual report, none of our Directors has any business, financial, or family interests with each other and the Company.

The Board believes it is a balanced composition as each of the Directors has his own skills, expertise, professional qualifications and appropriate experiences to effectively oversee the business of the Group. It can effectively exercise independent judgement for the business activities of the Group to safeguard the interests of the shareholders and to improve standard in corporate governance to fulfill the demands of the shareholders and stakeholders of the Group.

During the year ended 31 December 2012, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of the INED representing at least one-third of the Board. One of the INED is a professional accountant, which is in compliance with the requirement of the Listing Rules. Each of our INED has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered all of the INED to be independent.

The Company has arranged insurance cover of "Directors' and Officers' Liabilities Insurance" for Directors, officers and senior management of the Group. The insurance coverage is reviewed annually.

Board Delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The Three Committees of the Board are responsible for making recommendation on the specified matters in line with the terms of reference adopted by the Board set out separately. The senior management is responsible for supervision on the daily operation of the Group by functions.

Board, Board committees and general meetings

The total number of the meetings and the individual attendance of each Director in person at each of the meetings during the year ended 31 December 2012 were as follows:

	Number of meeting attended					
Name of Directors	Board Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting	Annual General Meeting	Extra-Ordinary General Meeting
Executive Directors						
Mr. Xie Hai Yu (resigned on 8 March 2013)	11/27	N/A	N/A	N/A	0/1	0/2
Mr. Cheung Wai Kuen	13/27	1/1	N/A	N/A	0/1	0/2
Mr. Pu Xiao Dong (appointed on 10 August 2012)	7/27	N/A	N/A	N/A	0/1	0/2
Mr. Nie Dong (appointed on 10 August 2012)	14/27	N/A	N/A	N/A	0/1	1/2
Mr. Chen Zhenliang (appointed on 5 September 2012 and re-designated from NED to ED on 1 April 2013)	0/27	N/A	N/A	N/A	0/1	0/2
Mr. Cheng Hau Yan (resigned on 3 September2012)	12/27	N/A	N/A	N/A	1/1	1/2
Non-Executive Directors						
Mr. Qiu Guan Zhou (appointed on 10 August 2012)	1/27	N/A	N/A	N/A	0/1	0/2
Mr. Li Xiang Hong (appointed on 13 March 2013)	0/27	N/A	N/A	N/A	0/1	0/2
Independent Non-Executive Directors						
Mr. Zhong Wei Guang (resigned on 5 September 2012)	2/27	N/A	N/A	2/2	1/1	0/2
Mr. Liu Feng (resigned on 5 September 2012)	3/27	N/A	N/A	2/2	1/1	0/2
Mr. Poon Fuk Chuen (resigned on 6 September 2012)	4/27	N/A	N/A	2/2	1/1	0/2
Mr. Gao Dezhu (appointed on 5 September 2012)	2/27	1/1	1/1	0/2	0/1	0/2
Mr. Kang Yi (appointed on 5 September 2012)	2/27	1/1	1/1	0/2	0/1	0/2
Mr. Chi Chi Hung, Kenneth (appointed on 12 October 2012)	1/27	N/A	0/1	0/2	0/1	0/2

Note: There were 27 Board Meetings held during the financial year ended 31 December 2012 which included 3 meetings with formal notice and agenda.

Code Provision A.1.1 stipulates that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. There were totally 27 Board meetings held during the year ended 31 December 2012, out of which there were only 3 regular meetings with formal notice and agenda. The Board believes that the fairness and effectiveness for the decision making on the business needs are adequately ensured.

The notices were given at least 14 days in advance for each of the regular Board meeting to all the Directors so that they could have an opportunity to attend the same in person during the year. On ad hoc basis, the ED met together upon reasonable notices or by agreement of the Executive Directors to waive the notice of the meetings to discuss the matters as required by business needs. In respect of regular Board meetings, and so far as practicable, an agenda and accompanying board papers were sent in full to all Directors in a timely manner at least 3 days before the intended dates of Board meetings. The Company Secretary of the Company attended all regular board meetings to advise on corporate governance and statutory compliance when necessary. In addition, the Company has maintained a procedure for Directors to seek independent professional advice in appropriate circumstances. Minutes of Board meetings and meetings of Board committees are kept by a duly appointed secretary of the meetings and such minutes would be inspected at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and meetings of Board committees had recorded in sufficient details the matters considered by the Board and decisions reached, including any concerns raised by Directors or the representatives of the relevant parties o dissenting views expressed. Draft and final versions of minutes of Board meetings had been sent to all Directors and the representatives of the relevant parties involved in the meetings through electronic means for their comments and records respectively, in both cases within a reasonable time after the meetings held.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5 of the Code, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the CEO have different roles. The Chairman is responsible for the operation of the Board and the CEO is responsible for managing the operations of the Group. Their functions have been clearly divided to ensure a balanced distribution of power and authority not concentrating on a single individual.

Mr. Xie Hai Yu resigned as the ED and the Chairman on 8 March 2013. Mr. Chen Zhenliang is re-designated from NED to ED and appointed as the chairman with effect from 1 April 2013. Mr. Pu Xiao Dong resigned as the CEO on 8 March 2013 and Mr. Nie Dong filled the vacancy of CEO on the same day accordingly.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhong Wei Guang, Mr. Liu Feng and Mr. Poon Fuk Chuen resigned as the INED on 5 September 2012, on 5 September 2012 and on 6 September 2012 respectively. Mr. Gao De Zhu, Mr. Kang Yi and Mr. Chi Chi Hung, Kenneth filled the vacancies of INED on 5 September 2012, on 5 September 2012 and 12 October 2012 respectively.

The Company issued a letter of appointment with each of INED for a term of one year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules of The Stock Exchange of Hong Kong Limited as the code of conduct regarding securities transactions by directors. On specific enquiries made, all directors have confirmed that, in respect of the year ended 31 December 2012, they have complied with the required standard as set out in the Model Code.

REMUNERATION COMMITTEE

Remuneration Committee functions

The remuneration committee of the Company (the "RC") was established to formulate remuneration policy for the Board's approval. It has adopted the terms of reference, which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the RC were revised in 30 March 2012. The majority of members of RC shall be INED and the Chairman of the Board (unless he is an INED) shall not be a member of the RC.

The principal functions of the RC include reviewing and determining specific remuneration packages for each Directors and senior management by reference to corporate goals and objectives. The RC also ensured that no Director or senior management member determined his own remuneration.

Remuneration Committee composition

The Remuneration Committee comprises three INED namely, Mr. Gao De Zhu, Mr. Kang Yi and Mr. Chi Chi Hung, Kenneth and one ED namely, Mr. Nie Dong. Mr. Gao De Zhu was appointed as the Chairman of the Remuneration Committee.

Remuneration Committee meetings

During the year ended 31 December 2012, the RC had met once to discuss the remuneration of Directors.

The details of the number of the RC meetings held during the year of 2012 and the relevant record of individual attendance of the members of the RC, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 17 of this corporate governance report.

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company's performance and current market situation. In addition, the Group has adopted the share option scheme on 21 October 2008. Details of emoluments of the Directors from the Group for the year are as disclosed in note 12 to the consolidated financial statements.

NOMINATION COMMITTEE

Nomination Committee functions

The nomination committee of the Company (the "NC") was established on 30 March 2012 to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the NC were adopted on 30 March 2012 at the time of its establishment. The majority of the members of NC shall be INED. The Chairman of the Board shall not chair the NC when it is dealing with the matters of his own appointment and succession to the chairmanship.

NC has been developed a formal, consistent and transparent procedure for the appointment of new Directors to the Board. There would be plans in place for orderly succession for appointments to the Board. All Directors would be subject to re-election at regular intervals.

A proposal for the appointment of a new Director will be considered and reviewed by the NC. The NC will consider the skills and expertise of the Candidates as well as personal ethics, integrity and the willingness to commit time to the affairs of the Group. All candidates must be able to meet the standards set out in the Listing Rules. A candidate who is to be appointed as INED should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Nomination Committee composition

The NC comprises three INED namely, Mr. Kang Yi, Mr. Gao De Zhu and Mr. Chi Chi Hung, Kenneth and one ED namely, Mr. Cheung Wai Kuen. Mr. Kang Yi was appointed as the Chairman of the NC.

Nomination Committee meetings

During the year ended 31 December 2012, the NC had met once to discuss the structure, size, and composition of the Board; the nomination of new member to the Board and the appointment of senior management to the Group.

The details of the number of the NC meetings held during the year ended 31 December 2012 and the relevant record of individual attendance of the members of the NC, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 17 of this corporate governance report.

AUDIT COMMITTEE

Audit Committee functions

The audit committee of the Company (the "AC") was established on 12 November 2008. It has adopted the terms of reference, which are in line with the Code Provisions set out in the CG Code under Appendix 14 of the Listing Rules.

The terms of reference of the AC were revised on 30 March 2012. The majority of the members of the AC shall be INED and at least one of whom must have appropriate professional qualifications or accounting or related financial management expertise.

The primary duties of AC are, inter alia, to review and supervise the financial reporting process and internal control system of the Group, to review the financial statements focusing particularly on any changes in accounting policies and practices of the Group; the compliance with accounting standards; and the compliance with the legal requirements, as well as to review the Company's annual reports and interim reports.

Audit Committee composition

The AC comprises three INED namely, Mr. Chi Chi Hung, Kenneth, Mr. Kang Yi and Mr. Gao De Zhu. Mr. Chi Chi Hung, Kenneth , who is qualified accountant with appropriate professional qualification and experience in financial matters, was appointed as the chairman of the AC. None of the AC members are members of the former or existing auditors of the Company.

Audit Committee meetings

During the year ended 31 December 2012, the AC had met two times to discuss the following matters:

— to review the final results of the Group for the year ended 31 December 2011 prior to recommending them to the Board for approval;

— to review the interim results of the Group for the half year ended 30 June 2012 prior to recommending them to the Board for approval;

— to review the selection and re-appointment of the external auditors of the Company for the year ended 31 December 2011 prior to recommending them to the Board for approval and the Board had agreed with the Audit Committee's view on this matter;

— to discuss with our external auditors any significant or unusual items reflected in interim and annual reports;

— to discuss with the management the system of internal control and ensure that management has discharged its duty to have an effective internal control system.

The details of the number of the Audit Committee meetings held during the year ended 31 December 2012 and the relevant record of individual attendance of the members of the AC, on a named basis, are shown in the table under the heading "Board, Board committees and general meetings" on page 17 of this corporate governance report.

As at the date of this corporate governance report, the AC has reviewed with management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters including the review of audited consolidated financial statements of the Group for the year ended 31 December 2012 in conjunction with the Group's external auditors.

AUDITORS' REMUNERATION

During the year ended 31 December 2012, the Company engaged Deloitte Touche Tohmatsu as the external auditors of the Company to perform audit and non-audit services. The audit fee was approximately HK$3,180,000 and other non-audit service fee was approximately HK$40,000 for the year ended 31 December 2012.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining a stable and effective internal control system for the Group. The system includes a management structure with terms of reference to protect its assets from misappropriation, and ensures keeping appropriate accounting records so as to provide reliable financial information for internal use or for dissemination, as well as ensuring compliance with the laws and regulations. The system aims at providing reasonable (but not absolute) guarantees for the prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives

The management of the Group has reviewed whether the Group's internal control and risk management system for the year ended 31 December 2012 were effective, and had submitted the results of the review and its recommendations and opinions for consideration by the AC and the Board. The AC and the Board have discussed the relevant results of review, and agreed that internal control procedures and risk management systems have been implemented in the various major operation sectors.

Directors acknowledge their responsibility in preparing financial statements of the Group. The Company has engaged three qualified accountants with appropriate working experiences in the Finance & Accounting Department (the "Finance Dept") of the Group. With the assistance of the Finance Dept, the Board will ensure the preparation of the financial statements of the Group complies with relevant regulations and applicable accounting standards.

In preparing the accounts for the year ended 31 December 2012, the Board has selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are pertinent to its operations and relevant to the financial statements, made judgments and estimates that are prudent and reasonable, and has prepared the accounts on the going concern basis.

The statement of reporting responsibility issued by Deloitte Touche Tohmatsu, the Auditor of the Company, in respect of the consolidated financial statements of the Group is set out in the independent auditor's report on pages 32 to 33.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHT

The Board recognizes the importance of maintaining on-going communications with shareholders and investors for the performance of the Company and establishes different communication channels. These include: the publication of interim and annual reports and/or dispatching circular, notices and other announcements and notifications; conducting annual general meeting or extraordinary general meeting which provides a forum for Shareholders of the Company to raise comments and exchange views with the Board; and updating the websites with the corporate information, achievements and new development of the Group.

To strengthen the investors' relationship, the Company provides different ways for investors to access the soft and hard copies of the Company's information. The printed copies of this annual report in both English and Chinese languages will be dispatched to the Shareholders of the Company in April 2013. Shareholders can obtain corporate communications free of charge by notice in writing to the Company Secretary of the Company. This annual report in both English and Chinese language is also available on the following websites:

(a) www.hkex.com.hk
(b) www.lsea-resources.com

DIRECTORS' REPORT

The board of directors (the "Board") of L'sea Resources International Holdings Limited (the "Company") herein present the annual repot and the audited consolidated financial statements (the "Consolidated Financial Statements") of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing corporate management services. Details of the principal activities and other particulars of the subsidiaries are set out in note 48 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2012 are set out in the consolidated statement of comprehensive income on page 32.

The directors do not recommend the payment of a dividend for the year ended 31 December 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Wednesday, 8 May 2013 to Tuesday, 14 May 2013, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Tuesday, 7 May 2013 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share register in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, or registration not later than 16:30 p.m. on Tuesday, 7 May 2013.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 17 to the Consolidated Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the share capital and share options of the Company during the year.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2012, the Company's reserves available for distribution to shareholders were as follows:

	HK$'000
Share premium	389,589
Accumulated losses	(644,230)
	(254,641)

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

TAXATION OF HOLDERS OF SHARES

(a) Hong Kong

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax.

(b) Cayman Islands

Under present Cayman Islands law, transfer or other dispositions of Shares are exempted from Cayman Islands stamp duty.

(c) Professional tax advice recommended

Intending holders of Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares.

BORROWINGS

Bank borrowings repayable within one year or with a clause that gives the lender the unconditional right to call the loans at any time are classified under current liabilities. Details of borrowings are set out in note 31 to the Consolidated Financial Statements.

DIRECTORS' REPORT

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Xie Hai Yu	(resigned on 8 March 2013)
Mr. Cheung Wai Kuen	
Mr. Pu Xiao Dong	(appointed on 10 August 2012)
Mr. Nie Dong	(appointed on 10 August 2012)
Mr. Chen Zhenliang	(appointed on 5 September 2012 and re-designated from NED to ED on 1 April 2013)
Mr. Cheng Hau Yan	(resigned on 3 September 2012)
Mr. Leung Kai Wing	(resigned on 18 January 2012)

Non-Executive Directors

Mr. Qiu Guan Zhou	(appointed on 10 August 2012)
Mr. Li Xiang Hong	(appointed on 13 March 2013)

Independent Non-Executive Directors

Mr. Zhong Wei Guang	(resigned on 5 September 2012)
Mr. Liu Feng	(resigned on 5 September 2012)
Mr. Poon Fuk Chuen	(resigned on 6 September 2012)
Mr. Gao Dezhu	(appointed on 5 September 2012)
Mr. Kang Yi	(appointed on 5 September 2012)
Mr. Chi Chi Hung, Kenneth	(appointed on 12 October 2012)

In accordance with the provisions of the Company's articles of association, Mr. Nie Dong, Mr. Pu Xiao Dong, Mr. Qiu Guan Zhou, Mr. Chen Zhenliang, Mr. Gao Dezhu, Mr. Kang Yi, Mr. Chi Chi Hung, Kenneth and Mr. Li Xiang Hong will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Nie Dong and Mr. Chen Zhenliang, two of the Executive Directors, have entered into a service contract with the Company for a term of 1 year commencing from 1 January 2013 and 1 April 2013 respectively and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. If the service contracts of Mr. Nie Dong and/or Mr. Chen Zhenliang are/is terminated by the Company, it is subject to compensation payable to Mr. Nie Dong and/or Mr. Chen Zhenliang by the Company in the amount equivalent to three months' salary respectively.

Mr. Gao De Zhu, Mr. Kang Yi and Mr. Chi Chi Hung, Kenneth have accepted their service contracts with the Company for a term of one year commencing on 5 September 2012, 5 September 2012 and 12 October 2012 respectively.

Save as disclosed, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

Save as disclosed below, as at 31 December 2012, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code or Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in ordinary shares of HK$0.005 each of the Company ("Shares")

Name of Director	Nature of Interest	Number of shares held	Percentage of shareholding %
Xie Hai Yu	Personal	548,610,000	19.05
Cheung Wai Kuen (Note)	Corporate	617,000,000	21.42

Note: On 27 June 2012, (i) Wright Source, a company wholly owned by Mr. Cheung Wai Kuen and a substantial shareholder of the Company, transferred 560,000,000 Shares to Munsun Global in exchange for approximately 65.14% of equity interest in Munsun Global; and (ii) Munsun Global acquired 57,000,000 Shares from Independent Third Parties. Mr. Cheung Wai Kuen's interest in the Company is held through the shareholding in Wright Source and Munsun Global.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

Save as disclosed below, the register required to be kept under section 336 of the SFO shows that as at 31 December 2012, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company.

Long position in Shares

Name	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares %
Xie Hai Yu	Personal	548,610,000	19.05
Munsun Global Mining Investment Fund LP ("Munsun Global")	Corporate	617,000,000 (Note 1)	21.42
Lee and Lee Trust (Note 2)	Trustee	394,557,822	13.69
Allied Group Limited ("AGL") (Note 3)	Corporate	394,557,822	13.69
Allied Properties (H.K.) Limited ("APL") (Note 4)	Corporate	394,557,822	13.69
AP Jade Limited (Note 5)	Corporate	394,557,822	13.69
AP Emerald Limited ("AP Emerald") (Note 6)	Corporate	394,557,822	13.69
Sun Hung Kai & Co. Limited (Note 7)	Interest of controlled corporation	394,557,822	13.69
Sun Hung Kai Financial Group Limited ("SHKFG") (Note 8)	Interest of controlled corporation	394,557,822	13.69
Sun Hung Kai Financial Limited ("SHKFL") (Note 9)	Interest of controlled corporation	394,557,822	13.69
Sun Hung Kai Structured Finance Limited (Note 9)	Beneficial owner	272,108,843	9.44

Notes:

(1) Wright Source, which is wholly-owned by Mr. Cheung Wai Kuen, owns 65.14% interest in Munsun Global.

(2) Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust.

(3) Lee and Lee Trust (inclusive of Mr. Lee Seng Hui's personal interest) owns approximately a 64.97% interest in the issued share capital of AGL and therefore, is deemed to have interests in the Shares in which AGL is interested.

(4) AGL owns approximately a 74.97% interest in the issued share capital of APL and is therefore deemed to have interests in the Shares in which APL is interested.

(5) AP Jade Limited is a wholly-owned subsidiary of APL.

(6) AP Emerald is a wholly-owned subsidiary of AP Jade Limited. APL is therefore deemed to have interests in the Shares in which AP Emerald is interested.

(7) AP Emerald owns approximately a 54.95% interest in issued share capital of Sun Hung Kai & Co. Limited. AP Emerald is therefore deemed to have interests in the Shares in which Sun Hung Kai & Co. Limited is interested.

(8) SHKFG is a wholly-owned subsidiary of Sun Hung Kai & Co. Limited.

(9) SHKFL is a wholly-owned subsidiary of SHKFG. Sun Hung Kai & Co. Limited and SHKFG are therefore deemed to have interests in the Shares in which SHKFL is interested. Sun Hung Kai Investment Services Limited ("SHKIS") and Sun Hung Kai Structured Finance Limited ("SHKSF") are wholly-owned subsidiaries of SHKFL and hold the convertible bonds of face values of HK$180,000,000 and HK$400,000,000 respectively. SHKIS and SHKSF have respective interests of 4.25% and 9.44% in the Shares issuable upon full conversion of the convertible bonds held by them.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

NON-COMPETING UNDERTAKING

During the year, none of the Directors, the management shareholders or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competed with or might compete with the business of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's largest customer and supplier accounted for around 100% of the total sales and purchases for the year, respectively.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

CONTINUING CONNECTED TRANSACTIONS

(a) Tin concentrates supply

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

On 31 January 2013, the Tin Supply Contract was renewed with new terms for the period from 1 February 2013 to 31 January 2016. Shareholders' approval in the extraordinary general meeting was sought by the Company on 9 April 2013.

(b) Copper concentrates supply

On 4 May 2012, YTPAH entered into the copper supply contract with Yuntinic, pursuant to which YTPAH agreed to supply copper concentrates (the "Copper Supply Contract") to Yuntinic for the period from 4 May 2012 to 31 December 2012. Yuntinic is a subsidiary of Yunnan Tin PRC. As such, with disclosed in (a) above, Yuntinic is a connected person of the Company at its subsidiary level by virtue of being a subsidiary of the substantial shareholder of Yunnan Tin HK. Accordingly, the transaction contemplated under the Copper Supply contract constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

RELATED PARTY TRANSACTIONS

Details of the information in relation to the related party transactions of the Group during the year are set out on note 43 to the Consolidated Financial Statements.

EMOLUMENT POLICY

The Group mainly determines staff remuneration in accordance with market terms and individual qualifications. The emoluments of the Directors of the Company will be decided by the remuneration committee having regard to the Group's operating results, individual performance and comparable market statistics.

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. Particulars of the retirement benefit schemes are set out in note 42 to the Consolidated Financial Statements.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors of the Company, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2012.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

The Group's consolidated financial statements for the year ended 31 December 2012 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the year ended 31 December 2012.

DIRECTORS' REPORT

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 46 to the Consolidated Financial Statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 110.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Nie Dong
Director
28 March 2013

Deloitte.
德勤

TO THE MEMBERS OF L'SEA RESOURCES INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS GOODTOP TIN INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of L'sea Resources International Holdings Limited (formerly known as Goodtop Tin International Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 109, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
Continuing operations:			
Revenue	7	**399,261**	342,754
Cost of sales		**(463,621)**	(410,977)
Gross loss		**(64,360)**	(68,223)
Interest income		**1,949**	2,302
Other income		**86**	–
Administrative expenses		**(43,672)**	(96,850)
Other expenses	9	**(20,191)**	(11,234)
Other gains and losses	10	**(124,545)**	(846,673)
Finance costs	11	**(83,129)**	(56,250)
Loss before taxation		**(333,862)**	(1,076,928)
Taxation credit	13	**70,401**	285,841
Loss for the year from continuing operations	14	**(263,461)**	(791,087)
Discontinued operations:			
Loss for the year from discontinued operations	15	**–**	(60,253)
Loss for the year		**(263,461)**	(851,340)
Other comprehensive income for the year:			
Exchange difference arising on translation to presentation currency		**8,920**	10,055
Release of translation reserve to profit or loss upon disposal of subsidiaries		**–**	(13,999)
		8,920	(3,944)
Total comprehensive expense for the year		**(254,541)**	(855,284)
Loss for the year attributable to owners of the Company			
— from continuing operations		**(236,820)**	(673,237)
— from discontinued operations		**–**	(60,253)
		(236,820)	(733,490)
Loss for the year attributable to non-controlling interests			
— from continuing operations		**(26,641)**	(117,850)
		(263,461)	(851,340)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000 (restated)
Total comprehensive expense attributable to:			
Owners of the Company		**(228,450)**	(737,901)
Non-controlling interests		**(26,091)**	(117,383)
		(254,541)	(855,284)
Loss per share	16		
From continuing and discontinued operations:			
Basic and diluted (HK cents)		**(8.22)**	(25.47)
From continuing operations:			
Basic and diluted (HK cents)		**(8.22)**	(23.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	17	**272,499**	274,223
Mining rights	18	**113,446**	158,320
Exploration and evaluation assets	19	**298,379**	331,547
Deposits	20	**16,571**	16,364
		700,895	780,454
Current assets			
Inventories	21	**18,511**	18,025
Trade receivables	22	**46,184**	26,313
Other receivables, prepayments and deposits		**49,124**	87,720
Held-for-trading investments	23	**19,105**	18,574
Derivative financial instruments	24	**–**	92,244
Deposits paid for repurchase of convertible bonds	32	**150,000**	–
Tax recoverable		**4,134**	–
Bank balances and cash	25	**50,654**	126,083
		337,712	368,959
Current liabilities			
Trade payables	26	**37,475**	39,153
Other payables, deposits received and accruals	27	**113,257**	104,655
Financial liabilities at fair value through profit or loss ("FVTPL")	28	**–**	20,400
Amount due to a non-controlling shareholder of a subsidiary	30	**9,624**	–
Amount due to a joint venturer	29	**18,087**	–
Amounts due to related companies	30	**11,155**	–
Loan from a director	30	**152,736**	–
Convertible bonds	32	**328,483**	–
Obligations under finance leases	31	**14,982**	12,581
Tax payable		**–**	20,531
		685,799	197,320
Net current (liabilities) assets		**(348,087)**	171,639
Total assets less current liabilities		**352,808**	952,093

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital	33	**14,400**	14,400
Reserves		**153,741**	393,326
Equity attributable to owners of the Company		**168,141**	407,726
Non-controlling interests		**20,693**	46,784
Total equity		**188,834**	454,510
Non-current liabilities			
Deferred taxation	34	**19,048**	88,384
Convertible bonds	32	**99,904**	361,026
Obligations under finance leases	31	**27,486**	30,462
Provision for rehabilitation	35	**17,536**	17,711
		163,974	497,583
		352,808	952,093

The consolidated financial statements on pages 34 to 109 were approved and authorised for issue by the Board of Directors on 28 March 2013 and are signed on its behalf by:

Nie Dong
DIRECTOR

Cheung Wai Kuen
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Special reserve HK$'000 (note 1)	Convertible bonds equity reserve HK$'000	Retained profits (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	14,400	389,589	12,075	–	7,800	–	74,418	498,282	–	498,282
Loss for the year	–	–	–	–	–	–	(733,490)	(733,490)	(117,850)	(851,340)
Exchange difference arising on translation to presentation currency	–	–	9,588	–	–	–	–	9,588	467	10,055
Release of translation reserves to profit or loss upon disposal of subsidiaries	–	–	(13,999)	–	–	–	–	(13,999)	–	(13,999)
Total comprehensive expense for the year	–	–	(4,411)	–	–	–	(733,490)	(737,901)	(117,383)	(855,284)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	164,167	164,167
Recognition of equity component of convertible bonds	–	–	–	–	–	577,214	–	577,214	–	577,214
Recognition of equity settled share-based payments	–	–	–	70,131	–	–	–	70,131	–	70,131
Transfer upon cancellation of share options	–	–	–	(70,131)	–	–	70,131	–	–	–
At 31 December 2011	14,400	389,589	7,664	–	7,800	577,214	(588,941)	407,726	46,784	454,510
Loss for the year	–	–	–	–	–	–	(236,820)	(236,820)	(26,641)	(263,461)
Exchange difference arising on translation to presentation currency	–	–	8,370	–	–	–	–	8,370	550	8,920
Total comprehensive income (expense) for the year	–	–	8,370	–	–	–	(236,820)	(228,450)	(26,091)	(254,541)
Early redemption on convertible bonds (note 2)	–	–	–	–	–	(11,135)	–	(11,135)	–	(11,135)
At 31 December 2012	14,400	389,589	16,034	–	7,800	566,079	(825,761)	168,141	20,693	188,834

Notes:

(1) Special reserve is arisen from the reorganisation in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited.

(2) The amount of HK$11,135,000 represents the difference between the repurchase price of HK$17,100,000 and the amount of the consideration paid allocated to liability component of HK$5,965,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	2012 HK$'000	2011 HK$'000 (restated)
OPERATING ACTIVITIES		
Loss before taxation		
— continuing operations	**(333,862)**	(1,076,928)
— discontinued operations	**–**	(60,034)
	(333,862)	(1,136,962)
Adjustments for:		
Interest income	**(1,949)**	(3,116)
Interest expense	**83,129**	56,351
Share-based payment expenses	**–**	70,131
Loss (gain) on disposal of property, plant and equipment	**8,778**	(421)
Fair value change of derivative financial instruments	**93,340**	121,980
Fair value change of financial liabilities at FVTPL	**(20,400)**	(17,400)
Allowance for bad and doubtful debts	**–**	17,583
Impairment loss recognised in respect of deposits	**–**	5,618
Allowance for obsolete inventories	**–**	4,615
Impairment loss recognised in respect of property, plant and equipment	**–**	48,688
Amortisation of mining rights	**71,510**	86,591
Impairment loss recognised on mining rights	**–**	226,448
Impairment loss recognised on exploration and evaluation assets	**40,162**	477,059
Depreciation of property, plant and equipment	**75,558**	59,478
Release of prepaid lease payments	**–**	141
Amortisation of intangible assets	**–**	907
Loss on disposal of subsidiaries	**–**	26,622
Adjustment on provision for rehabilitation cost	**(1,000)**	(4,345)
Operating cash flows before movements in working capital	**15,266**	39,968
Decrease in deposits	**–**	1,127
(Increase) decrease in inventories	**(258)**	5,322
Increase in trade receivables	**(19,553)**	(45,081)
Increase in other receivables, prepayments and deposits	**(2,547)**	(43,137)
Increase in held-for-trading investment	**(531)**	(18,574)
Decrease in trade payables	**(2,175)**	(12,974)
Increase in other payables, deposits received and accruals	**7,316**	113,365
Decrease in amounts due to related companies	**–**	(897)
Decrease in amounts due to directors	**–**	(12,829)
Cash (used in) generated from operations	**(2,482)**	26,290
Income taxes (paid) refunded	**(24,665)**	1,855
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(27,147)**	28,145

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000 (restated)
INVESTING ACTIVITIES			
Interest received		**1,949**	3,116
Purchase of property, plant and equipment		**(68,785)**	(85,870)
Purchase of intangible assets		**–**	(4,442)
Proceeds from disposal of property, plant and equipment		**3,091**	5,037
Exploration and evaluation expenditure incurred		**(20,132)**	(22,608)
Addition to mining rights		**(7,366)**	–
Settlement on receivables on disposal of subsidiaries		**41,530**	–
Acquisition of subsidiaries	37	**–**	73,233
Disposal of subsidiaries	38	**–**	34,222
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(49,713)**	2,688
FINANCING ACTIVITIES			
Early redemption on convertible notes		**(17,100)**	–
Deposit paid for repurchase of convertible bonds		**(150,000)**	–
Interest paid		**(6,682)**	(4,511)
Repayment of obligations under finance leases		**(14,740)**	(12,095)
Repayment of borrowings		**–**	(44,536)
New bank borrowings raised		**–**	37,204
Advance from non-controlling interests of a subsidiary		**8,550**	–
Loan from a related company		**11,071**	–
Advance from a joint venturer		**18,087**	–
Loan from a director		**151,368**	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**554**	(23,938)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(76,306)**	6,895
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**877**	1,403
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**126,083**	117,785
		50,654	126,083
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by Bank balances and cash		**50,654**	126,083

1. GENERAL

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

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 48.

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

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

The consolidated financial statements are presented in HK$ as the directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

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

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

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

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

[1] Effective for annual periods beginning on or after 1 January 2013.

[2] Effective for annual periods beginning on or after 1 January 2014.

[3] Effective for annual periods beginning on or after 1 January 2015.

[4] Effective for annual periods beginning on or after 1 July 2012.

Annual improvements to HKFRSs 2009–2011 cycle issued in June 2012

The annual improvements to HKFRSs 2009–2011 cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 "Property, plant and equipment".

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. In the opinion of the directors, the certain spare parts (as disclosed in note 21) for the mining machineries of the Group will probably be subject to detail review of its nature and reclassify as property, plant and equipment and subject to depreciation when a detail assessment has been completed.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK(SIC)-INT 12 "Consolidation — special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC)-INT 13 "Jointly controlled entities" — Non-monetary contributions by venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. A joint operator shall recognise in relation to its interest in a joint operation (i) its assets, including its share of any assets held jointly; (ii) its liabilities, including its share of any liabilities incurred jointly; (iii) its revenue from the sale of its share of the output arising from the joint operation; (iv) its share of the revenue from the sale of the output by the joint operation; and (v) its expenses, including its share of any expenses incurred jointly.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(continued)*

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards may not impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 13 is not expected to have a significant impact on the amounts reported in the consolidated financial statements as at 31 December 2012 but may result in more extensive disclosures in the consolidated financial statements upon the adoption of the standard.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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

HK(IFRIC)-Int 20 Stripping costs in the production phase of a surface mine

HK(IFRIC)-Int 20 "Stripping costs in the production phase of a surface mine" applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). Under the interpretation, the costs from this waste removal activity ("stripping") which provide improved access to ore is recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 "Inventories". The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK(IFRIC)-Int 20 is effective for annual periods beginning on or after 1 January 2013 with transition provision. The directors anticipate that the Interpretation will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. In the opinion of the directors, the effect of application of HK(IFRIC)-Int 20 will not have impact to the results of the Group.

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Allocation of total comprehensive income to non-controlling interests
Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Joint ventures

Jointly controlled assets

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Income from the sale or use of the Group's share of the output of the jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transaction will flow to/from the Group and their amount can be measured reliably.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures *(continued)*

Jointly controlled entities *(continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods, or for administrative purposes other than properties under construction are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than properties under construction and mining structures) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production and administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Mining structures (including the main and auxiliary mine shafts, underground tunnels and open-pit platforms) are depreciation using the unit production method based on the actual production volume over the estimated total proven and probable reserves of the ores mine.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Mining rights

Mining rights acquired separately are initially measured at cost. Mining rights are reclassified from exploration and evaluation expenditures at the carrying amount when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortisation and any identified impairment loss. Amortisation for mining rights with finite useful lives is provided using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ores mine.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less identified impairment loss.

Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial validity of extracting those resources. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation as set may exceed its recoverable amount. An impairment loss is recognised in profit or loss.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as either mining rights or mining structure based on nature of assets acquired. These assets are assessed for impairment before reclassification.

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually. When one of the following events or changes in circumstances, which is not exhaustive, indicate that the carrying amount may not be recoverable has occurred, impairment test is performed in accordance with HKAS 36 "Impairment of assets".

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future.

- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.

- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.

- sufficient data (such as tin prices) exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee *(continued)*

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as expenses on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as finance costs in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in Australia (Superannuation fund), the People's Republic of China (the "PRC") and the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong are recognised as expenses when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated cost of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into investment held-for-trading and loans and receivables. The classification depends on nature and purpose of financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Investments held-for-trading

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Investment held-for-trading is measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than investments held-for-trading, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*
For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments
Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Convertible bonds contains liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

When the convertible bonds are repurchased before maturity, the consideration paid is allocated to the liability and equity components at the date of the early repurchase. The difference between the allocated consideration and the carrying amount of the liability component is recognised in profit or loss whereas the consideration allocated to equity is recognised in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liabilities are either held-for-trading or it is those designated at FVTPL on initial recognition.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in other gains and losses in profit or loss and excludes any interest paid on the financial liabilities.

Other financial liabilities
Other financial liabilities including trade payables, other payables, amounts due to a non-controlling shareholder of a subsidiary, related companies and a joint venturer, loan from a director, convertible bonds are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments
Derivative financial instruments are financial assets which are not designated and effective as hedging instruments and derivative are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*
The Group derecognises financial liabilities are when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Equity-settled share-based payment transactions

Share option granted to employees
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Share options granted to consultants
Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Provision for rehabilitation cost

A provision for rehabilitation is recognised when the Group has a present obligation (legal or construction) as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for rehabilitation cost is the best estimate of the present value of the expenditure required to settle the restoration obligation at the end of the reporting period, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the provision at the end of the reporting period.

The initial estimate of the rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated on the same basis as the related asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provision for rehabilitation cost *(continued)*

Changes in the estimation of the rehabilitation provision that result from changes in the estimated timing or amount of cash flows, including the effects of revisions to estimated lives of operation or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the period it occurred. If a decrease in liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. Unwinding of the effect of discounting on the provision is recognised as finance cost.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 4, the directors have made various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on past experience, expectations of future and other information that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of mining rights

The Group's management determines the estimated useful lives of 6 years (2011: 5 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of 4 years (2011: 5 years). The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Depreciation/amortisation on mining rights and mining structures

Mining rights and mining structures are amortised or depreciated using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data available from ongoing development activities. The reserve estimates are updated quarterly taking into account recent production and technical information about each mine. If the quantities of reserves are different from current estimates, it will result in significant changes to amortisation and depreciation expenses of mining rights and mining structures.

Provision for rehabilitation cost

The provision for rehabilitation cost has been estimated by the management based on current regulatory requirements and is discounted to present value. However, significant changes in the regulatory requirements, timing of performance of reclamation activities or discount rate will result in changes to the amount of provision from period to period. As at 31 December 2012, the carrying amount of provision for rehabilitation cost is approximately HK$17,536,000 (2011: HK$17,711,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment of mining structures, mining rights and exploration and evaluation assets

Determining whether mining structure, mining rights and exploration and evaluation assets are impaired requires an estimation of the value in use of the cash-generating units to which these assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (i.e. estimation on the total proven and probable reserves of the ore mines and future market price of tin concentrate) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31 December 2012, impairment losses on explanation and evaluation assets of HK$40,162,000 (2011: HK$477,059,000) were recognised to profit and loss. During the year ended 31 December 2011, impairment losses on mining structures of HK$48,688,000 and mining rights of HK$226,448,000 were recognised to profit and loss. As at 31 December 2012, the carrying amounts of mining structures, mining rights and exploration and evaluation assets were approximately HK$53,563,000 (2011: HK$34,035,000), HK$113,446,000 (2011: HK$158,320,000) and HK$298,379,000 (2011: HK$331,547,000), respectively. Details of impairment assessment is disclosed in note 18.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**154,825**	244,722
Held-for-trading investments	**19,105**	18,574
Derivative financial instruments	**–**	92,244
Financial liabilities		
Financial liabilities at FVTPL	**–**	20,400
Amortised cost	**770,721**	504,834

(b) Financial risk management objective and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, held-for-trading investments, bank balances, trade payables, other payables and accruals, amount due to a non-controlling shareholder of a subsidiary, amounts due to related companies, loan from a director, amount due to a joint venturer, derivative financial instruments, convertible bonds and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure to financial risks on the manner in which its manages and measures the risks until the Group acquired entire equity interest in Parksong Mining and Resource Recycling Limited ("Parksong") during the year ended 31 December 2011. After acquisition of Parksong, the Group's exposure to credit risk, price risk and liquidity risk is significantly increased. Details of the change in exposure to respective risks are disclosed below.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objective and policies *(continued)*

Market risk

Currency risk

Certain subsidiaries of the Company have amounts due from and to group companies, bank balances, trade receivables, convertible bonds, loan from a director, amounts due to related companies, sales and purchases denominated in foreign currencies, other than the functional currency of respective group companies which expose the subsidiaries to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period:

	Assets		Liabilities	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**46,184**	43,954	**423**	–
Renminbi ("RMB")	**456**	1,195	**327**	343
HK$	**2,306**	–	**596,029**	361,026

Sensitivity analysis

For certain group entities whose functional currency is denominated in HK$, the change in exchange rate of its functional currency against USD has not been considered in the following sensitivity analysis as HK$ is pegged to USD. In the opinion of the directors, the Group does not expect any significant movements between the exchange rate of HK$ against USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of each group entities against the relevant foreign currencies and all other variables were held constant, translating to the presentation currency, HK$, at the closing rate at the end of the reporting period. 5% is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding monetary items which are denominated in relevant foreign currencies of respective group entities and adjusts its translation at the end of the reporting period for a 5% change in the relevant foreign currencies exchange rates. A positive (negative) number below indicates a decrease (increase) in loss for the year where the relevant foreign currencies strengthen 5% against the functional currency of each group entities. For a 5% weakening of the relevant foreign currencies against the foreign currencies of each group entities there would be an equal and opposite impact on the loss for the year.

(Increase) decrease in post-tax loss for the year

	2012	2011
	HK$'000	HK$'000
HK$ impact	**(29,686)**	(18,051)
RMB impact	**6**	43
USD impact	**2,288**	2,198

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objective and policies *(continued)*

Market risk *(continued)*

Interest rate risk
The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances for both years.

The Group is exposed to fair value interest rate risk in relation to obligation under finance lease and convertible bonds liability as at 31 December 2012 and 2011, and loan from a director, amount due to a related company and amount due to a non-controlling shareholder of a subsidiary as at 31 December 2012 (see notes 30, 31 and 32 for details).

Sensitivity analysis
The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank balances, the analysis is prepared assuming the bank balances at the end of the reporting period was outstanding for the whole year. A 20 basis point increase or decrease is used for bank balances which represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been 20 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK$101,000 (2011: HK$252,000).

Other price risk
The Group is exposed to equity price risk through held-for-trading investments. The Group's held-for-trading investments have significant concentration of price risk in Hong Kong stock market. Management manages the exposure by maintaining a portfolio of equity investments with different risk profiles.

Sensitivity analysis
The sensitivity analyses on held-for-trading investments during the year ended 31 December 2012 have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate considers at 30% in the current period. If the prices of the respective equity instruments had been 30% higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase approximately by HK$5,732,000 (2011: HK$5,572,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk
The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objective and policies *(continued)*

Credit risk *(continued)*

Bank balances are placed in various authorised financial institutions and the directors of the Company consider the credit risk of such authorised financial institutions is low.

The Group has concentration of credit risk on trade receivables from customers of sales of tin concentrate, Yunnan Tin Company Limited ("YTC") before 1 April 2011 and Yunnan Tin Australia TDK Resources Pty Limited ("YTATR") after 1 April 2011 which are tin refining and processing company located in the Australia. Also, the Group has concentration of credit risk on a customer of sales of copper concentrate, Yuntinic (Hong Kong) Resources Company Limited ("Yuntinic"). YTC, YTATR and Yuntinic are all subsidiaries of a non-controlling shareholder of a subsidiary of the Company. The management reviews the recoverable amount of YTATR and Yuntinic at the end of the reporting period, including past collection history and subsequent settlement, to ensure that adequate impairment losses are recognised for irrecoverable debts, if any. In this regard, the management of the Group considers that the credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

As set out in note 2, the Group had net current liabilities position of approximately HK$348,087,000 as at 31 December 2012. The liquidity of the Group has been improved through placing of shares and loan capitalisation subsequent to the end of the reporting period. These measures enable the Group to meet in full its financial obligations as they fall due for the foreseeable future, details of which are disclosed in note 2.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liability are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Between 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2012						
Trade payables	–	37,475	–	–	37,475	37,475
Other payables and accruals	–	113,257	–	–	113,257	113,257
Obligations under finance leases	11	4,360	13,078	29,818	47,256	42,468
Amount due to a non-controlling shareholder of a subsidiary	6	9,768	–	–	9,768	9,624
Amount due to a joint venturer	–	18,087	–	–	18,087	18,087
Amount due to related companies	6	11,322	–	–	11,322	11,155
Loan from a director	3	154,104	–	–	154,104	152,736
Convertible bonds (note)	20.12	300,000	–	193,500	493,500	428,387
		648,373	13,078	223,318	884,769	813,189

Note: The amount stated in the band of "On demand or less than 3 months" is based on the repurchase consideration of HK$300,000,000 as disclosed in note 32. It was assumed that the remaining convertible bonds would not be early redeemed by the Company before maturity date.

6. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objective and policies *(continued)*

Liquidity risk *(continued)*

Liquidity tables *(continued)*

	Weighted average effective interest rate %	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	Between 1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
2011						
Trade payables	–	39,153	–	–	39,153	39,153
Other payables and accruals	–	104,655	–	–	104,655	104,655
Obligations under finance leases	14	3,616	10,847	33,772	48,235	43,043
Convertible bonds (note)	20.12	–	–	773,500	773,500	361,026
Financial liabilities at FVTPL (note)	29.71	–	–	33,000	33,000	20,400
		147,424	10,847	840,272	998,543	568,277

Note: It was assumed that the convertible bonds would not be early redeemed by the Company before the maturity date. The financial liabilities at FVTPL represented unpaid convertible bond to be issued (see note 28) and it was assumed that this convertible bond would not be early redeemed by the Company before the maturity date.

(c) Fair values

The fair values of financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using the relevant prevailing market rates.

The fair value of option-based derivative financial instruments equity component of convertible bonds at the date of issuance and financial liabilities at FVTPL are calculated using option pricing model.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair values *(continued)*

Fair value measurements recognised in the consolidated statement of financial position *(continued)*

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2012

	Level 1 HK$'000	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
Financial assets at FVTPL				
Non-derivative financial assets held-for-trading	**19,105**	**–**	**–**	**19,105**

As at 31 December 2011

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at FVTPL				
Non-derivative financial assets held-for-trading	18,574	–	–	18,574
Derivative financial instruments	–	–	92,244	92,244
Total	18,574	–	92,244	110,818
Financial liabilities at FVTPL				
Consideration payable for acquisition of a subsidiary	–	–	20,400	20,400

There were no transfers between Level 1 and 2 in the current and prior years.

6. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair values *(continued)*

Reconciliation of Level 3 fair value measurements of financial assets

	Call Option HK$'000	Financial liabilities at FVTPL HK$'000
At 1 January 2011	–	–
Acquisition of subsidiaries	213,508	(37,800)
(Loss) gain recognised in profit or loss	(121,980)	17,400
Exchange differences	716	–
At 31 December 2011	92,244	(20,400)
(Loss) gain recognised in profit or loss	(93,340)	20,400
Exchange differences	1,096	–
At 31 December 2012	–	–

Fair value gains or losses on Call Option (as defined in note 24) and financial liabilities at FVTPL are included in other gains and losses in the statement of comprehensive income.

(d) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes convertible bonds as disclosed in note 32, loan from a director and amounts due to related companies as disclosed in note 30 and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the raising of new debts or the repayment of existing debts.

The Group's overall strategy remains unchanged from prior year.

7. REVENUE

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

8. SEGMENT INFORMATION

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

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

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

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

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

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

Manufacturing operation and Vitar Trading operation were discontinued during the year ended 31 December 2011 through disposal of subsidiaries. During the year ended 31 December 2012, the directors of the Company decided to cease its Trading business in order to focus its business in Mining. The segment information reported below does not include financial information in respect of these discontinued operations, which are described in more detail in note 15. Accordingly, the comparatives of segment information have been restated.

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

Segment revenues and results

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

Continuing operations

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

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment loss during the year represents loss from segment without allocation of corporate expenses, gain on repurchase of convertible bonds, fair value change of held-for-trading investments and certain finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

At 31 December 2012

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

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

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

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

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 December 2012

Continuing operations

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

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

For the year ended 31 December 2011 (restated)

Continuing operations

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

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

8. SEGMENT INFORMATION *(continued)*

Revenue from major products

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

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

Geographical information

The Group's Mining operations are located in Australia.

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

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

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

Information about major customers

	2012 HK$'000	2011 HK$'000
YTATR	**387,128**	296,040
Yuntinic	**12,133**	–
YTC	**–**	46,714
	399,261	342,754

9. OTHER EXPENSES

The amount comprises legal and professional fees and other expenses related to the acquisition of the entire equity interest in Parksong (see note 37 for details of this acquisition).

10. OTHER GAINS AND LOSSES

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

11. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Continuing operations		
Interests on:		
Obligations under finance leases wholly repayable within five years	**3,192**	4,410
Loan from a director	**1,368**	–
Loan from a non-controlling shareholder of a subsidiary	**1,066**	–
Other borrowings	**1,358**	–
Unwinding of discount on provision for rehabilitation	**602**	–
Effective interest expense on convertible bonds	**75,543**	51,840
	83,129	56,250

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

Directors' and chief executives emoluments

The emoluments paid or payable to each of the fourteen (2011: twelve) directors were as follows:

	Xie Hai Yu HK$'000 (note (viii))	Leung Kai Wing HK$'000 (note (vii))	Cheung Wai Kuen HK$'000	Pu Xiaodong HK$'000 (note (vi))	Nie Dong HK$'000 (note (vi))	Chen Zhenliang HK$'000 (note (iv))	Qiu Guanzhou HK$'000 (note (vi))	Cheng Hau Yan HK$'000 (note (v))	Zhong Wei Guang HK$'000 (note (iii))	Liu Feng HK$'000 (note (iii))	Poon Fuk Chuen HK$'000 (note (ii))	Chi Chi Hung Kenneth HK$'000 (note (i))	Gao Dezhu HK$'000 (note (iv))	Kang Yi HK$'000 (note (iv))	Total HK$'000
For the year ended 31 December 2012															
Fees	–	–	–	–	–	–	71	1,348	68	68	102	40	58	58	1,813
Other emoluments:															
Salaries, allowances and benefits in kind	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Contributions to retirement benefit scheme	–	–	–	–	–	–	–	9	–	–	–	–	–	–	9
Bonus (note xiii)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share option benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	–	–	–	–	71	1,357	68	68	102	40	58	58	1,822

	Xie Hai Yu HK$'000 (note (viii))	Leung Chau Hiu HK$'000 (note (x))	Leung Kai Wing HK$'000 (note (vii))	Cheung Wai Kuen HK$'000	Chen Liang HK$'000 (note (ix))	Li Xianghong HK$'000 (notes (x))	Cheng Hau Yan HK$'000	Cheng Pak Lung HK$'000 (note (xi))	Zhong Wei Guang HK$'000	Liu Feng HK$'000	Poon Fuk Chuen HK$'000 (note (ii))	Wong Hing Tat HK$'000 (note (xii))	Total HK$'000
For the year ended 31 December 2011													
Fees	–	–	–	–	529	150	1,560	32	100	100	142	5	2,618
Other emoluments:													
Salaries, allowances and benefits in kind	–	96	1,407	–	–	–	–	–	–	–	–	–	1,503
Contributions to retirement benefit scheme	–	–	33	–	7	–	12	1	–	–	–	–	53
Bonus (note xiii)	–	–	500	–	–	–	–	–	–	–	–	–	500
Share option benefits	–	–	–	–	6,921	3,650	17,836	–	–	–	–	–	28,407
Total emoluments	–	96	1,940	–	7,457	3,800	19,408	33	100	100	142	5	33,081

Notes:

(i) Mr. Chi Chi Hung Kenneth was appointed on 12 October 2012.

(ii) Mr. Poon Fuk Chuen was appointed on 20 January 2011 and resigned on 6 September 2012.

(iii) Mr. Zhong Wei Guang and Mr. Liu Feng resigned on 5 September 2012.

(iv) Mr. Chen Zhenliang, Mr. Gao Dezhu and Mr. Kang Yi were appointed on 5 September 2012.

(v) Mr. Cheng Hau Yan resigned on 3 September 2012.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES EMOLUMENTS *(continued)*

Directors' and chief executives emoluments *(continued)*

Notes: *(continued)*

(vi) Mr. Pu Xiaodong, Mr. Nie Dong and Professor Qiu Guanzhou were appointed on 10 August 2012. Mr. Pu Xiaodong was also appointed as the Chief Executive of the Company on 16 February 2012. Mr. Pu Xiaodong resigned on 8 March 2013.

(vii) Mr. Leung Kai Wing resigned on 18 January 2012. Mr. Leung Kai Wing was also the Chief Executive of the Company before his resignation and he was not remunerated for services rendered by him as Chief Executive during the year ended 31 December 2012.

(viii) Mr. Xie Hai Yu was appointed on 29 November 2011 and resigned on 8 March 2013.

(ix) Mr. Chen Liang was appointed on 13 April 2010 and resigned on 1 August 2011.

(x) Mr. Leung Chau Hiu and Mr. Li Xianghong resigned on 1 April 2011. Mr. Li Xianghong was re-appointed on 8 March 2013.

(xi) Mr. Cheng Pak Lung resigned on 20 January 2011.

(xii) Mr. Wong Hing Tat resigned on 20 January 2011.

(xiii) The bonus is discretionary and is determined by the remuneration committee having regard to the performance of individuals and the Group.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2011: two) was director of the Company, details of whose emoluments are included above. The emoluments of the remaining four (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Salaries, allowances and benefits in kind	**3,505**	1,750
Contributions to retirement benefit scheme	**44**	24
Share option benefits	**–**	21,403
	3,549	23,177

The emolument of the remaining four (2011: three) individuals for the year was within the following bands:

	2012 No. of employees	2011 No. of employees
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**1**	–
HK$7,000,001 to HK$7,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**–**	1

During both years, no emoluments were paid by the Group to the directors or the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office and no directors of the Company waived or agreed to waive any emoluments.

13. TAXATION

	2012 HK$'000	2011 HK$'000
Continuing operations		
The credit comprises:		
Current tax expenses in Australia for the year	–	(15,182)
Deferred tax credit for the year (note 34)	**70,401**	301,023
	70,401	285,841

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

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

Under Australian tax law, the tax rate used for the year is 30% on taxable profits on Australian incorporated entities.

	2012 HK$'000	2011 HK$'000 (restated)
Loss before taxation	**(333,862)**	(1,076,928)
Tax at Australia Profits Tax rate of 30% (2011: 30%)	**100,159**	323,078
Tax effect of expenses not deductible for tax purpose	**(34,950)**	(15,907)
Tax effect of income not taxable for tax purpose	**9,054**	244
Tax effect of tax losses not recognised	**(3,862)**	(21,574)
Taxation credit for the year (relating to continuing operations)	**70,401**	285,841

14. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000 (restated)
Loss for the year has been arrived at after charging:		
Continuing operations		
Auditor's remuneration	**3,226**	2,150
Cost of inventories recognised as an expense	**463,621**	410,977
Depreciation of property, plant and equipment	**75,558**	51,710
Amortisation of mining rights	**71,510**	86,591
Operating lease rentals in respect of rented premises, equipment and leasehold land	**4,070**	717
Staff costs (including directors' emoluments (note 12))		
— Salaries and other benefits	**66,220**	49,199
— Contributions to retirement benefit schemes	**5,881**	7,550
— Share option expenses	**–**	70,131
	72,101	126,880

15. DISCONTINUED OPERATIONS

On 5 December 2011, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Vitar Insulation ("Vitar S&P Agreement"), which carried out the Group's entire Manufacturing and Vitar Trading operations. The disposal was effected in order to focus on its core business of Mining operation. The disposal was completed on 29 December 2011 ("Date of Disposal"), on which the date control of Vitar Insulation passed to the acquirer.

During the year ended 31 December 2012, the directors of the Company decided to cease the Trading operation. Thus, Trading segment was presented as discontinued operation. There were no transactions made in Trading operation during the year ended 31 December 2012.

The profit for the year ended 31 December 2012 and 2011 from the discontinued operations is analysed as follows:

	2012 HK$'000	2011 HK$'000 (restated)
Loss of Manufacturing segment for the period	–	8,013
Loss of Vitar Trading segment for the period	–	14,826
Loss on disposal of Vitar Insulation	–	26,622
Loss on Trading segment for the period	–	10,792
	–	60,253

15. DISCONTINUED OPERATIONS *(continued)*

The results of the Manufacturing and Vitar Trading operations for the period from 1 January 2011 to 29 December 2011 and Trading operation for the year ended 31 December 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	HK$'000 (restated)
Revenue	244,158
Cost of sales	(216,567)
Interest income	814
Other income	447
Other gains and losses	(28,196)
Selling and distribution expenses	(1,678)
Administrative expenses	(32,289)
Finance costs	(101)
Loss before taxation	(33,412)
Taxation	(219)
Loss for the period	(33,631)

Loss for the year ended 31 December 2011 from discontinued operations includes the following:

	HK$'000 (restated)
Auditor's remuneration	–
Cost of inventories recognised as expenses (including allowance for obsolete inventories of HK$4,615,000)	216,567
Depreciation of property, plant and equipment	7,768
Loss on disposal of property, plant and equipment	2,126
Allowance for bad and doubtful debts	17,583
Impairment loss recognised on deposits	5,618
Release of prepaid lease payments	141
Operating lease rentals in respect of rental premises	4,493
Staff costs (including directors' emoluments (note 12))	
— Salaries and other benefits	24,051
— Contributions to retirement benefit schemes	797
	24,848

During the year ended 31 December 2011, the Manufacturing, Vitar Trading and Trading segments contributed approximately HK$26,063,000 to the Group's net operating cash flows, incurred approximately HK$19,861,000 in respect of investing activities and incurred HK$22,523,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of the Manufacturing and Vitar Trading segments at the date of disposal were disclosed in note 38. Upon the discontinuation of Trading segment during the year ended 31 December 2012, assets and liabilities of Trading segment were then considered as corporate assets and liabilities of the Group.

16. LOSS PER SHARE

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

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

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

From continuing operations

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

Loss figures are calculated as follows:

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

From discontinued operations

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

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Mining structures HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Furniture and fixtures HK$'000	Plant, machinery and equipment HK$'000	Motor vehicles HK$'000	Tools HK$'000	Total HK$'000
COST									
At 1 January 2011	31,906	–	4,165	4,927	8,687	35,334	6,826	410	92,255
Exchange adjustments	1,457	331	–	335	178	2,282	78	–	4,661
Acquisition of subsidiaries (Note 37)	41,253	12,515	–	12,262	–	170,001	1,718	–	237,749
Additions	471	48,549	224	61,618	1,185	13,183	2,767	–	127,997
Disposal	–	–	–	–	–	(16,444)	(221)	–	(16,665)
Transfer from exploration and evaluation assets	–	17,620	–	–	–	–	–	–	17,620
Transfer	745	10,648	–	(51,574)	339	39,842	–	–	–
Disposals of subsidiaries	(33,613)	–	–	(6,652)	(6,580)	(36,924)	(4,614)	(410)	(88,793)
At 31 December 2011	42,219	89,663	4,389	20,916	3,809	207,274	6,554	–	374,824
Exchange adjustments	534	1,175	–	257	–	2,578	11	–	4,555
Additions	–	53,422	–	11,214	–	15,954	1,817	–	82,407
Disposal	–	–	–	–	–	(16,937)	–	–	(16,937)
Transfer	–	–	–	(20,937)	–	20,937	–	–	–
At 31 December 2012	42,753	144,260	4,389	11,450	3,809	229,806	8,382	–	444,849
DEPRECIATION AND IMPAIRMENT									
At 1 January 2011	5,234	–	669	–	3,641	21,360	2,940	325	34,169
Exchange adjustments	114	201	–	–	90	793	40	–	1,238
Provided for the year	2,758	6,739	1,750	–	1,339	45,764	1,111	17	59,478
Impairment loss	–	48,688	–	–	–	–	–	–	48,688
Eliminated on disposal	–	–	–	–	–	(11,932)	(119)	–	(12,051)
Eliminated on disposals of subsidiaries	(5,917)	–	–	–	(3,897)	(17,429)	(3,336)	(342)	(30,921)
At 31 December 2011	2,189	55,628	2,419	–	1,173	38,556	636	–	100,601
Exchange adjustments	29	729	–	–	–	497	4	–	1,259
Provided for the year	1,518	34,340	1,756	–	763	36,261	920	–	75,558
Eliminated on disposal	–	–	–	–	–	(5,068)	–	–	(5,068)
At 31 December 2012	3,736	90,697	4,175	–	1,936	70,246	1,560	–	172,350
CARRYING VALUES									
At 31 December 2012	39,017	53,563	214	11,450	1,873	159,560	6,822	–	272,499
At 31 December 2011	40,030	34,035	1,970	20,916	2,636	168,718	5,918	–	274,223

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Other than construction in progress and mining structures, the above items of property, plant and equipment are depreciated using the straight-line basis at the following rates per annum:

Buildings	1.75%–20%
Leasehold improvement	Over the term of the lease
Furniture and fixtures	20%
Plant, machinery and equipment	10–33%
Motor vehicles	12.5%–25%
Tools	20%

Depreciation on mining structures is provided to write off the cost of the mining structures using the unit of production method based on the actual production volume over the total estimated proven and probable reserves of the ore mines. Effective depreciation rate for the year ended 31 December 2012 is 14.05% (2011: 11.88%).

During the year ended 31 December 2011, there was an impairment loss recognised on mining structure of the underground mine amounting to HK$48,688,000. Details of impairment assessment are disclosed in note 18.

As at 31 December 2012, the net book value of property, plant and equipment included an amount of approximately HK$49,871,000 (2011: HK$50,233,000) in respect of assets held under finance leases. Such property, plant and equipment had been pledged to secure the finance leases being granted.

18. MINING RIGHTS

	HK$'000
COST	
At 1 January 2011	–
Acquisition of subsidiaries (note 37)	450,072
Transfer from exploration and evaluation assets	19,903
Exchange adjustment	2,463
At 31 December 2011	472,438
Additions	7,366
Transfer from exploration and evaluation assets	17,303
Exchange adjustment	5,994
At 31 December 2012	503,101
AMORTISATION AND IMPAIRMENT	
At 1 January 2011	–
Amortisation for the year	86,591
Impairment loss for the year	226,448
Exchange adjustment	1,079
At 31 December 2011	314,118
Amortisation for the year	71,510
Exchange adjustment	4,027
At 31 December 2012	389,655
CARRYING VALUES	
At 31 December 2012	113,446
At 31 December 2011	158,320

The mining rights represented the rights to conduct mining activities in Australia and have granted for the terms of 4 years (2011: 5 years). In the opinion of the directors, the Group will be able to continuously review the mining rights with relevant government authorities without significant costs.

The mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

For the purpose of impairment testing, mining rights of HK$113,446,000 (2011: HK$158,320,000), exploration and evaluation asset of HK$298,379,000 (2011: HK$291,385,000) and mining structures and mining related plant, machinery and equipment of HK$213,123,000 (2011: HK$202,753,000) have been allocated to cash generated unit ("CGU") of underground mine. The recoverable amount of the CGU of underground mine is determined on the basis of value in use calculation. Value in use calculation is based on a discount rate of 15.7% (2011: 14%) 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 existing products capacity. Other key assumption provided by management for the value in use calculation include future tin price, production rate and gross margin.

18. MINING RIGHTS *(continued)*

During the year ended 31 December 2012, there is no impairment loss recognised in respect of mining rights, mining structures and related mining plant, machinery and equipment and exploration and evaluation assets allocated to CGU of the underground mine.

The market tin price decreased from US$31,975 per tonne at the Date of Completion (as defined in note 24) to US$18,800 per tonne at 31 December 2011. As a result of the significant decrease in international market tin price, the directors of the Company were in the opinion that the market tin price was likely to remain depressed in the long run, and hence re-estimated the expected future tin price applied in the value in use calculation. Based on the revised assumptions applied, the carrying amount of the CGU of underground mine was significantly above its recoverable amount, accordingly, the Group impaired its mining structures, mining rights and exploration and evaluation assets of HK$48,688,000 and HK$226,448,000 and HK$477,059,000, respectively, during the year ended 31 December 2011.

19. EXPLORATION AND EVALUATION ASSETS

	HK$'000
CARRYING AMOUNT	
At 1 January 2011	–
Acquisition of subsidiaries (note 37)	820,850
Addition	22,608
Transfer to property, plant and equipment	(17,620)
Transfer to mining rights	(19,903)
Impairment loss for the year	(477,059)
Exchange adjustment	2,671
At 31 December 2011	331,547
Additions	20,132
Transfer to mining rights	(17,303)
Impairment loss for the year	(40,162)
Exchange adjustment	4,165
At 31 December 2012	298,379

During the year ended 31 December 2012, the directors of the Company is in the opinion that the open-pit mine has completed the extraction of the reserves and the current strategy for the open-pit mine is remaining in care and maintenance and there is no fixed plan on the timing when this mine will be re-opened for mining. 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.

During the year ended 31 December 2011, there was an impairment loss recognised on exploration and evaluation assets, which related to the underground mine, amounting to HK$477,059,000.

Details of the impairment assessment were disclosed in note 18.

20. DEPOSITS

Deposits with the carrying amount of HK$16,571,000 (2011: HK$16,364,000) as at 31 December 2012 represents deposits paid by the Group to the Mineral and Resource Department of Tasmania as a deposit for operating in the mining industry in Tasmania, Australia. The deposits are refundable upon the cessation of mining activities or closure of mines and the environmental rehabilitation work of relevant mines meets government's requirements.

21. INVENTORIES

	2012 HK$'000	2011 HK$'000
Ore stocks	**149**	652
Work-in-progress	**909**	342
Tin in circuit	**1,166**	644
Tin concentrate	**–**	709
Copper concentrate	**494**	–
Spare parts	**15,123**	15,415
Others	**670**	263
	18,511	18,025

22. TRADE RECEIVABLES

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

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

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

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

22. TRADE RECEIVABLES *(continued)*

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. Concentration of credit risk on two customers is disclosed in note 6. 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.

The carrying amounts of the trade receivables denominated in currencies other than the functional currency of the respective group entity are as follows:

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

Movement in the allowance for bad and doubtful debts

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

23. HELD-FOR-TRADING INVESTMENTS

	2012 HK$'000	2011 HK$'000
Equity securities listed in Hong Kong	**19,105**	18,574

Fair values of held-for-trading investments are based on quoted market bid price at the end of reporting period.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	2012 **HK$'000**	2011 HK$'000
Call Option (disclosed under current assets)	–	92,244

On 4 March 2011 ("Date of Completion"), Gallop Pioneer Limited ("GPL"), the wholly-owned subsidiary of the Company, acquired entire equity interests in Parksong. Before the completion of this acquisition, YT Parksong Australia Holdings Pty Limited ("YT Parksong Australia"), a non-wholly owned subsidiary of Parksong entered into a joint venture agreement ("JV Agreement") with Bluestone Mines Tasmania Pty Ltd. ("BMT"). Each of the venturers holds 50% interest in certain mining projects (the "JV Projects") located in Tasmania, Australia.

Pursuant to the JV Agreement, BMT has granted the Call Option to YT Parksong Australia to purchase from BMT a further 10% interest in the JV Projects exercisable from 19 March 2010 to 18 March 2012 with the following conditions:

- if Call Option is exercised from 19 March 2010 to 18 March 2011, the consideration will be AUD10 million; or
- if Call Option is exercised from 19 March 2011 to 18 March 2012, the consideration will be AUD10 million if the production on contained tin in concentrate is more than 6,000 tonnes from 19 March 2010 to 18 March 2011 and average cost of production on contained tin in concentrate is not greater than AUD14,403.46 per tonne ("Performance Criteria"). The consideration will be reduced to AUD5 million if the Performance Criteria cannot meet.

At the same time, YT Parksong Australia has granted the Put Option to BMT that BMT can require YT Parksong Australia to purchase a further 10% interest in the JV Projects exercisable from 19 March 2011 to 18 March 2012 with the following conditions:

- if Performance Criteria is achieved, the consideration will be AUD10 million; or
- if Performance Criteria is not achieved, the Put Option will lapse immediately.

The fair value of the Call Option was approximately HK$213,508,000 at Date of Completion.

After considering the latest production volume at the Date of Completion, the directors of the Company considered the Performance Criteria was unachievable as there were only two weeks left behind from the measurement period of Performance Criteria to catch up the shortfall. As a result, the directors of the Company considered the Put Option would be eventually lapsed and determined the fair value of the Put Option at the Date of Completion was zero.

24. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The movement of the Call Option for both years is set out below:

	Call Option HK$'000
At the Date of Completion	213,508
Changes in fair value	(121,980)
Exchange adjustment	716
At 31 December 2011	92,244
Changes in fair value	(93,340)
Exchange adjustment	1,096
At 31 December 2012	–

On 15 March 2012, YT Parksong Australia sent a notice to BMT purporting to exercise the Call Option. On 16 March 2012, BMT considered that the Call Option was previously relinquished by YT Parksong Australia and the purported notice to exercise the Call Option was not served by BMT.

As the purport to exercise of Call Option has been rejected by BMT, the exercisable right of Call Option was already expired on 18 March 2012, thus the fair value of Call Option as at 31 December 2012 was zero. Once the Group successfully obtained 10% interest in JV Projects from BMT, the fair value of 10% interest in JV Projects will be reassessed.

The fair value of Call Option was calculated using the Black-Scholes-Merton Option Pricing Model at the Date of Completion and 31 December 2011. The inputs into the model were as follows:

	Call Option	
	As at Date of Completion	As at 31 December 2011
Business value (note a)	AUD31,790,000	AUD16,577,286
Exercise price	AUD5,000,000	AUD5,000,000
Expected volatility (note b)	26.79%	34.55%
Expected life (note c)	1.04 years	0.21 year
Risk-free rate (note d)	4.92%	4.07%

24. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Notes:

(a) The business value is determined based on the future discounted cashflow of the JV Projects with reference to the expected tin price.

(b) Expected volatility for options is based on historical daily tin market price movements over a historical period of 1 year.

(c) Expected life was the expected remaining life of the Call Option.

(d) The risk-free rate is determined by reference to the Australian Government bond rate.

During the year ended 31 December 2012, a loss of HK$93,340,000 (2011: HK$121,980,000) was recognised in respect of the changes in fair values of derivative financial instruments.

25. BANK BALANCES

Bank balances comprise bank deposits held by the Group with an original maturity of three months or less. The bank balances carried effective interest rates ranging from 0.1% to 3.0% (2011: 0.1% to 2.6%) per annum.

The Group's bank balances that are denominated in currencies other than the functional currency of the respective group entity are set out below:

	2012 **HK$'000**	2011 HK$'000
USD	**31**	18,099

26. TRADE PAYABLES

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

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

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

27. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

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

Note: Pursuant to the sale and purchase agreement dated 13 July 2010 in relation to the acquisition of Parksong ("Parksong S&P Agreement"), as at 4 March 2011 ("Date of Completion"), all payables of Parksong and its subsidiaries other than jointly controlled assets are borne by the Vendor (as defined in note 37) and all receivables of Parksong and its subsidiaries other than jointly controlled assets are received by the Vendor. The amount represented the net payables to the Vendor based on the financial information of Parksong and its subsidiaries other than jointly controlled assets as at Date of Completion. The amount should be settled by cash. Details of dispute with the Vendor on these payables are also disclosed in note 41(a).

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 December 2011, the Group acquired the entire interest of Parksong of which a convertible bond with the principal amount of HK$33,000,000 was not issued at the Date of Completion, until certain conditions had been met (details as stated in note 37). This unpaid convertible bond was considered as contingent consideration payable and was designated as financial liabilities at fair value through profit or loss as at end of the reporting period.

The movement of the financial liabilities at FVTPL is as follows:

	HK$'000
FAIR VALUE	
At 1 January 2011	–
Acquisition of subsidiaries (note 37)	37,800
Fair value change	(17,400)
At 31 December 2011	20,400
Fair value change	(20,400)
At 31 December 2012	–

The fair value of financial liabilities at FVTPL included the assessment of fair value of financial liability component of the unpaid convertible bond and fair value of the conversion option.

The fair value of liability component of the unpaid convertible bond was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. The effective interest rate applied at the Date of Completion and 31 December 2011 were 20.12% and 29.71% respectively.

28. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

The fair value of the conversion option was calculated using the Binomial model. The inputs into the model were as follows:

	Date of Completion	31 December 2011
Stock price	HK$1.68	HK$0.91
Exercise price	HK$1.47	HK$1.47
Expected volatility	46.58%	45.68%
Expected life	5 years	4.18 years
Risk-free rate	1.93%	0.77%

The stock price was the closing price at the end of the valuation date while the expected volatility was determined by calculating the implied volatility of the Company's share price.

As set out in note 24, the Call Option was expired on 18 March 2012 and thus the conditions as stated in note 37 were not met and accordingly the liability on the contingent consideration of the Group was discharged and the fair value of financial liabilities at FVTPL as at 31 December 2012 was determined at zero.

29. AMOUNT DUE TO A JOINT VENTURER

The amount is unsecured, interest-free and repayable on demand.

30. AMOUNT DUE TO A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY/AMOUNTS DUE TO RELATED COMPANIES/LOAN FROM A DIRECTOR

Amount due to a non-controlling shareholder of a subsidiary is unsecured, interest bearing at 6% per annum and repayable on demand.

Included in amounts due to related companies as at 31 December 2012 is an amount of HK$10,694,000 (2011: nil) which is unsecured, interest bearing at 6 % per annum. The remaining HK$461,000 (2011: nil) is unsecured and interest-free. Both amounts are repayable on demand.

Loan from a director is unsecured, interest bearing at 3% per annum and matured in January 2013.

31. OBLIGATIONS UNDER FINANCE LEASES

	2012 HK$'000	2011 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**14,982**	12,581
Non-current liabilities	**27,486**	30,462
	42,468	43,043

Certain machineries of the JV Projects are under finance leases. The average lease term is 3 years (2011: 4 years). Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.9% to 17% (2011: 10% to 17%).

	Minimum lease payments		Present value of minimum lease payments	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Amounts payable under finance leases				
Within one year	**17,438**	14,463	**14,982**	12,581
In more than one year but not more than two years	**23,803**	13,224	**21,723**	19,048
In more than two years but not more than five years	**6,015**	20,548	**5,763**	11,414
	47,256	48,235	**42,468**	43,043
Less: Future finance charges	**(4,788)**	(5,192)	**N/A**	N/A
Present value of lease obligations	**42,468**	43,043	**42,468**	43,043
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(14,982)**	(12,581)
Amount due for settlement after 12 months			**27,486**	30,462

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

32. CONVERTIBLE BONDS

Pursuant to the Parksong S&P Agreement, part of the consideration is settled by issuance of convertible bonds. On the Date of Completion, the Company issued zero-coupon convertible bonds with principal amount of HK$773,500,000 with maturity of five years. The convertible bonds were denominated in HK$ and entitled the holders to convert them into shares of the Company at any time within 5 years from the date of issue of the convertible bonds, at the conversion price of HK$1.47 per share. If the convertible bonds had not been converted, they would be redeemed on 3 March 2016 at par. There is no early redemption option entitling by the Company or the bondholders to redeem the convertible bonds before the maturity date.

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

The movement of the liability component of the convertible bonds is set out as below:

	HK$'000
Liability component at the issue date	309,186
Interest charge	51,840
As at 31 December 2011	361,026
Interest charge	75,543
Repurchase	(8,182)
As at 31 December 2012	428,387

Binomial model was used for valuation of conversion option of the convertible bonds. The inputs into the model were as follows:

Stock price	HK$1.68
Exercise price	HK$1.47
Volatility (note a)	46.58%
Option life (note b)	5 year
Risk-free rate (note c)	1.93%

Notes:

(a) Expected volatility was determined by calculating the historical volatility of the Company's share price.

(b) Expected life was the life of the options.

(c) The risk-free rate is determined by reference to the Hong Kong Government Bond Yield.

The fair value of the convertible bonds issued at the Date of Completion was HK$886,400,000, representing the liability component of HK$309,186,000 and equity component of HK$577,214,000.

32. CONVERTIBLE BONDS *(continued)*

As set out in note 41(b), the Company made a payment of HK$17,100,000 representing the aggregate principal amount of the convertible bonds purported to be exercised, to the Vendor (as defined in note 37) on 14 February 2012. Accordingly, liability component of convertible bonds is reduced by HK$8,182,000 and remaining HK$11,135,000 is debited to convertible bonds option reserve resulting in a gain on repurchase on convertible bonds of HK$2,217,000 which is recognised in profit or loss.

On 19 September 2012, the Company entered into a sale and purchase agreement with bondholders to repurchase the convertible bonds with principal amount of HK$580,000,000 at a consideration of HK$300,000,000 by cash. The repurchase of convertible bonds was approved by shareholders during extraordinary general meeting on 20 November 2012. On 5 March 2013, the Company settled the last instalment and completed the repurchase of convertible bonds with principal amount of HK$580,000,000 from the bondholders. Thus, the carrying amount of convertible bonds to be repurchased amounting to HK$328,483,000 is reclassified as current liabilities as the liability is expected to be settled within 12 months as at 31 December 2012. The remaining convertible bonds amounting to HK$99,904,000 is classified as non-current liabilities as the convertible bonds are expected to be settled at maturity date.

33. SHARE CAPITAL

	Number of shares	**Share capital** HK$'000
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012	20,000,000,000	100,000
Issued:		
At 1 January 2011, 31 December 2011 and 31 December 2012	2,880,000,000	14,400

34. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following is the major deferred tax assets (liabilities) recognised by the Group and movements thereon, during the current and prior years:

	Acquisition cost of jointly controlled assets HK$'000	Fair value change in derivative financial instruments HK$'000	Provisions and accrued charges HK$'000	Tax losses HK$'000	Accelerated tax depreciation HK$'000	Fair value adjustment on mining rights; exploration and evaluation assets and mining structures HK$'000	Total HK$'000
At 1 January 2011	–	–	–	–	(280)	–	(280)
Acquisition of subsidiaries	7,576	(67,134)	4,520	–	–	(333,340)	(388,378)
(Charge) credit to profit and loss	(1,898)	36,594	3,742	20,637	–	241,948	301,023
Exchanged differences	34	(231)	38	71	–	(941)	(1,029)
Disposal of subsidiaries	–	–	–	–	280	–	280
At 31 December 2011	5,712	(30,771)	8,300	20,708	–	(92,333)	(88,384)
(Charge) credit to profit and loss	(2,312)	31,137	3,167	12,163	–	26,246	70,401
Exchanged differences	71	(366)	107	269	–	(1,146)	(1,065)
At 31 December 2012	3,471	–	11,574	33,140	–	(67,233)	(19,048)

As at 31 December 2012, the Group had estimated unused tax losses of approximately HK$195,853,000 (2011: HK$141,540,000) available for offset against future profits. Tax losses of HK$110,467,000 (2011: HK$69,027,000) had been recognised as deferred tax asset at 31 December 2012. No deferred tax asset had been recognised in respect of the remaining tax losses of HK$85,386,000 (2011: HK$72,513,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

35. PROVISION FOR REHABILITATION

	HK$'000
At 1 January 2011	–
Acquisition of subsidiaries	21,940
Adjustment due to change of discount rate	(4,345)
Exchange adjustment	116
At 31 December 2011	17,711
Adjustments	(1,000)
Unwinding of discount	602
Exchange adjustment	223
At 31 December 2012	17,536

The provision for rehabilitation represents the estimated cost of decommission and rehabilitation of mines and processing sites of the JV Projects to be carried out at the end of their producing lives. The discount rate used in determination the provision for rehabilitation is changed from 5.23% at the Date of Completion to 4.79% as at 31 December 2011 and 2012.

36. JOINT VENTURE

Jointly controlled assets

Upon the acquisition of Parksong, the Group has 50% interests in the JV Projects located in Tasmania, Australia which comprises of (i) the Renison mine, concentrator and infrastructure, (ii) the Mount Bischoff open cut tin project and (iii) the Retails tailing retreatment projects (hereinafter collectively referred to as the "Mining Assets"). Pursuant to the acquisition agreement between BMT and YT Parksong Australia, BMT granted the Call Option to YT Parksong Australia and YT Parksong Australia granted the Put Options to BMT. Details of Call Option and Put Option are disclosed in note 24.

YT Parksong Australia and BMT entered into the JV Agreement that an unincorporated joint venture was established by YT Parksong Australia and BMT to jointly manage the Mining Assets. According to the JV Agreement, YT Parksong Australia and BMT severally owned 50% interests of the Mining Assets. Each of YT Parksong Australia and BMT is entitled to 50% of the output from the operation of the Mining Assets and is responsible for 50% of the expenses incurred.

The JV Projects is managed by a management committee ("Management Committee"). Each of YT Parksong Australia and BMT is entitled to appoint three representatives to the Management Committee. If YT Parksong Australia increases its interests to 60%, it will be entitled to appoint three representatives to the Management Committee with BMT appointing two representatives. Under the JV Agreement, certain decisions relating to strategic financial and operating policies of those mining projects require the unanimous consent from both YT Parksong Australia and BMT both before and after the exercise of the Call Option and Put Option. Other operational decisions made by the Management Committee require a simple majority vote. Hence, YT Parksong Australia is able to exercise joint control over the JV Projects and the assets and liabilities of the JV Projects which were acquired by the Group are accounted for as jointly controlled assets.

36. JOINT VENTURE *(continued)*

Jointly controlled assets *(continued)*

The amounts of assets and liabilities as at 31 December 2012 and 2011 and, income and expenses for the year ended 31 December 2012 and for the period from the Date of Completion to 31 December 2011 recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled assets are as follows:

	2012 HK$'000	2011 HK$'000
Property, plant and equipment	**265,393**	264,682
Mining rights	**113,446**	158,320
Exploration and evaluation assets	**298,379**	331,547
Inventories	**18,511**	18,025
Other receivables and deposits	**35,309**	29,676
Bank balances and cash	**39,449**	45,064
Total assets	**770,487**	847,314
Trade payables	**37,475**	39,153
Obligation under finance leases	**42,468**	43,043
Provisions for rehabilitation	**17,536**	17,711
Total liabilities	**97,479**	99,907

	1.1.2012 to 31.12,2012 HK$'000	4.3.2011 to 31.12.2011 HK$'000
Sales	**399,261**	342,754
Cost of sales	**(463,621)**	(410,977)
Other income	**1,880**	2,302
Administrative expenses	**–**	(215)
Other gains and losses	**(41,612)**	(743,080)
Finance costs	**(674)**	(4,410)
Loss before taxation	**(104,766)**	(813,626)

36. JOINT VENTURE *(continued)*

Jointly controlled entity

The Company has indirect interests in a jointly controlled entity as follows:

Name of entity	Form of entity	Place of incorporation	Issue and fully paid up share capital	Equity interest and voting power attributable to the Company 2012	2011	Principal activity
Bluestone Mines Tasmania Joint Venture Pty Ltd. ("BMTJV")	Incorporated	Australia	AUD2	**50%**	50%	Provision of management services in mining projects of the Group in Australia

BMTJV is a limited company incorporated in Australia by YT Parksong Australia and BMT. BMTJV was appointed as the management company of the JV Projects and is responsible to manage, supervise and conduct the daily operation of the JV Projects through the Management Committee.

BMTJV has no asset and liability as at 31 December 2012 and 2011 and no revenue and expenses incurred during the year ended 31 December 2012 and 2011.

37. ACQUISITION OF SUBSIDIARIES

On the Date of Completion, GPL acquired entire equity interest in Parksong for a consideration of HK$1,204,200,000 from an independent third party (the "Vendor"). This acquisition had been accounted for using the acquisition method. Parksong and its subsidiaries (collectively known as "Parksong Group") engaged in exploration, development and mining of tin ores in Australia.

Consideration transferred

	HK$'000
Cash	280,000
Consideration payable for the acquisition of a subsidiary (note)	37,800
Convertible bonds issued	886,400
Total	1,204,200

37. ACQUISITION OF SUBSIDIARIES *(continued)*

Consideration transferred *(continued)*

Note: According to fourth supplemental deed to the Parksong S&P Agreement on 28 February 2011, the remaining consideration of HK$33,000,000 shall be paid by the Group to the Vendor by issuance of convertible bonds in the principal amount of HK$33,000,000 after the completion of any following events ("Events"):

(i) YT Parksong Australia has exercised the Call Option without being successfully challenged or disputed by the competent courts or BMT, with the result that immediately upon the exercise of the Call Option, YT Parksong Australia has obtained the valid, legal and beneficial ownership of 10% of the Mining Assets, together with the receipt by GPL of the legal opinion duly issued by the qualified Australian lawyers, jointly appointed by GPL and the Vendor, on the legality of the legal and beneficial ownership of the 10% of the Mining Assets held by YT Parksong Australia provided that such legal opinion shall be delivered to GPL by expiry of a period of 2 weeks after the date of exercise of Call Option; or

(ii) BMT has confirmed in writing (the "Confirmation Letter") that the Call Option and Put Option remain exercisable in accordance with the terms and conditions of the Parksong S&P Agreement and upon exercise of the option, YT Parksong Australia shall have obtained the valid, legal and beneficial ownership of 10% of the Mining Assets, together with the receipt by GPL of the legal opinion duly issued by the qualified Australian lawyers, jointly appointed by GPL and the Vendor, on the validity and enforceability of the Confirmation Letter provided that such legal opinion shall be delivered to the SPL by expiry of a period of 2 weeks after the receipt by GPL of the Confirmation Letter; or

(iii) YT Parksong Australia failed to exercise the option by reasons of its failure to comply with the terms and conditions of the Parksong S&P Agreement.

In the opinion of the directors, the Group shall have no obligation to pay this remaining consideration, after enquiring opinion from the Company's legal counsel, if none of the Events has not occurred on or before 17 March 2012. As stated in note 24, the Group failed to exercise the Call Option before 17 March 2012 upon presenting a notice to BMT purporting to exercise the Call Option, the management considered that none of the Events were occurred before the maturity of Call Option. The Group shall have no obligation to settle the remaining consideration as at 31 December 2012.

The contingent consideration was designated as financial liabilities at FVTPL and measured at fair value at the Date of Completion and as at 31 December 2011, details of which are set out in note 28.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

Assets acquired and liabilities recognised at the Date of Completion are as follows:

	Date of Completion HK$'000
Property, plant and equipment	237,749
Mining rights	450,072
Exploration and evaluation assets	820,850
Long-term deposits	17,398
Deferred tax assets	12,096
Inventories	27,757
Other receivables, deposits and prepayments	111
Derivative financial instruments — Call Option	213,508
Bank balances and cash	73,233
Obligations under finance leases	(13,009)
Trade and other payables and accrued charges	(44,192)
Tax liabilities	(4,792)
Provision for rehabilitation	(21,940)
Deferred tax liabilities	(400,474)
	1,368,367
Non-controlling interests (note)	(164,167)
Total consideration	1,204,200
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	73,233

Note: The non-controlling interests are determined by proportionate share of assets acquired and liabilities recognised of Parksong Group at the Date of Completion.

Included in the loss for the year ended 31 December 2011 from continuing operations is HK$656,009,000 attributable to Parksong Group. Revenue for the year ended 31 December 2011 includes HK$342,754,000 generated from Parksong Group.

Had the Acquisition been completed on 1 January 2011, total group revenue for the period would have been HK$434,063,000, and loss for the year ended 31 December 2011 would have been HK$808,948,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

37. ACQUISITION OF SUBSIDIARIES *(continued)*

In determining the pro-forma revenue and loss of the Group had Parksong Group been acquired at 1 January 2011, the directors of the Company have calculated depreciation of property, plant and equipment and amortisation of mining rights acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

Pursuant to the Parksong S&P Agreement, the Vendor warranted the tin concentrate produced from the JV Assets for each of three anniversaries of 12 months from the Date of Completion shall not be less than 6,500 tonnes. The Group is entitled to claim for losses against the Vendor if the production volume did not meet the aforesaid level. Based on the latest production record, the management expects the total production volume of tin concentrate for the first and second anniversary from the Date of Completion shall below 6,500 tonnes. On 12 October 2011, the Group demanded a sum of USD2,059,897 from the Vendor for these damages base on their own estimate. However, the Vendor disagreed the claim and considered the shortfall is due to underperformance of the mining contractor and insufficient equipment being available for production. Furthermore, the Parksong S&P Agreement did not set out any terms as to how the compensation should be calculated. The contingent consideration arising from this acquisition, if any, cannot be estimated reliably.

38. DISPOSAL OF SUBSIDIARIES

As referred to in note 15, on Date of Disposal, the Group disposed of the entire equity interests in Vitar Insulation to an independent third party at a consideration of HK$83,400,000 by cash. The Group discontinued its Manufacturing and Vitar Trading operations upon the disposal of Vitar Insulation.

Analysis of assets and liabilities over which control was lost:

	Date of Disposal HK$'000
Property, plant and equipment	57,872
Prepaid lease payments	6,643
Intangible assets	4,596
Deposits placed for a life insurance policy	2,050
Inventories	16,927
Trade receivables	55,691
Other receivables, prepayments and deposits	13,633
Bank balances and cash	7,648
Trade payables	(13,326)
Other payables, deposits received and accruals	(22,561)
Amounts due to related companies	(560)
Bank borrowings	(3,700)
Tax payable	(612)
Deferred tax liabilities	(280)
Net assets disposed of	124,021

38. DISPOSAL OF SUBSIDIARIES *(continued)*

Loss on disposal of subsidiaries

	Date of Disposal HK$'000
Cash consideration	83,400
Net assets disposed of	(124,021)
Cumulative exchange differences in respect of net assets of Vitar Insulation reclassified from equity to profit or loss on loss of control of Vitar Insulation	13,999
Loss on disposal	(26,622)
Net cash inflow arising on disposal:	
Cash consideration	83,400
Consideration receivable (note)	(41,530)
Less: bank balances and cash disposed of	(7,648)
	34,222

Note: As at 31 December 2011, the consideration of HK$41,530,000 was yet to be settled by the counterparty and was included in other receivables. The consideration receivable was repayable before 15 June 2012 and was secured by 49.95% equity interests of Vitar Insulation with carrying amount of HK$55,747,000 as at 31 December 2011. The remaining consideration receivable has been received during the year ended 31 December 2012.

The impact of Vitar Insulation on the Group's results and cash flows for the year ended 31 December 2011 is disclosed in note 15.

39. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**2,550**	4,795
In the second to fifth year inclusive	**3,875**	6,155
	6,425	10,950

Operating lease payments represent rentals payable by the Group for office premises, staff quarters and mineral tenement. Leases are negotiated and rentals are fixed for a lease term of two to three years.

40. CAPITAL COMMITMENTS

At the end of the reporting period, the Group's share of capital commitments of the JV Projects are as follows:

	2012 HK$'000	2011 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property, plant and equipment of JV Projects	**1,345**	667

As at 31 December 2012 and 2011, YT Parksong Australia has provided a guarantee and indemnity to a finance lessor relating to the Group's obligations under finance leases. This guarantee and indemnity is given to a finance lessor jointly and severally with BMT.

41. LITIGATIONS

(a) HCA1357/2011

The proceedings involves disputes arisen from the Parksong S&P Agreement dated 13 July 2010 signed between the Vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor. The acquisition of Parksong was completed on 4 March 2011.

On 11 August 2011, the Company and GPL were named as defendants in a writ of summons with a statement of claim by the Vendor claiming for, inter alia, a sum of AUD15,143,422.44 (equivalent to approximately HK$121,729,000), representing all receivables of Parksong and its subsidiaries other than the assets of the JV Projects at the Date of Completion (the "Claim"). According to the Parksong S&P Agreement, all payables of Parksong and its subsidiaries other than the liabilities of the JV Projects are borne by the Vendor and all receivables of Parksong and its subsidiaries other than the assets of the JV Projects belonged to the Vendor at the Date of Completion. The Company and GPL disagreed with the claim amount because management considered the Vendor has breached certain conditions in the Parksong S&P Agreement and, accordingly, the Company and GPL made a counterclaim of approximately of HK$223,891,000 against the Vendor on 11 October 2011 (the "Counter-Claim"). The Vendor, and the Company and GPL had attended mediation in relation to the disputes regarding the Claim and the Counter-Claim (the "Mediation") on 16 August 2012. However, no settlement had been reached in the Mediation. Thereafter, the Vendor, and the Company and GPL have exchanged their respective witness statements and filed further supplemental lists of documents. Hearing of the case management conference between the judge and the lawyers representing the Vendor and the Company and GPL has been fixed to be heard on 18 April 2013 to direct the parties' pre-trial preparations. Pending the outcome of the Claim and the Counter-Claim, as at 31 December 2012 and 2011, the Group accrued for the claim amount within other payables, net of payments on behalf of the Vendor pursuant to the Parksong S&P Agreement. Details of such net payables to the Vendor of HK$99,282,000 (2011: HK$97,614,000) are disclosed in note 27.

41. LITIGATIONS *(continued)*

(b) HCA2184/2011

As set out in note 32, the Company issued to the Vendor convertible bonds in the aggregate principal amount of HK$773,500,000 with maturity of five years from the Date of Completion as part of the consideration for the acquisition of Parksong.

On 10 November 2011, the Vendor purported to exercise its conversion rights attached to the convertible bonds in the aggregate principal amount of HK$17,100,000 by depositing conversion notices together with the corresponding bond certificates with the Company (the "Conversion"). The directors of the Company considered that since the Vendor failed to reply to the Company's request for information regarding the dispute under HCA1357/2011 (as stated in note 41(a) above), no share certificates were issued to effect the Conversion. On 7 December 2011, the Company received a demand letter from the Vendor's solicitors alleging that the Company had breached the conditions in convertible bonds agreement by failing to deliver share certificates of the relevant conversion shares by the specified time. In this connection, the Vendor demanded immediate repayment of the outstanding convertible bonds in the aggregate principal amount of HK$597,100,000 held by the Vendor together with all outstanding interests accrued thereon. On 22 December 2011, the Company was named as defendant in a writ of summons with a statement of claim filed by the Vendor. In such statement of claim, the Vendor claimed, among others, the sum of HK$597,100,000 being the aggregate principal amount of the outstanding convertible bonds together with all outstanding interests accrued thereon. A defence was filed by the Company on 2 February 2012 denying such claim. With a view to resolve the matter expeditiously, the Company made a payment of HK$17,100,000 representing the aggregate principal amount of the convertible bonds purported to be exercised, to the Vendor on 14 February 2012. Subsequently, the Vendor issued a summons for an application for summary judgment of the proceedings against the Company on 23 February 2012 (the "Summons").

On 7 September 2012, the Vendor issued a summons to amend the writ of summons by adding two new bondholders as the 2nd and 3rd plaintiffs (the "New Bondholders") and to amend the statement of claim after the transfer of convertible bonds in the aggregate principal amount of HK$580,000,000 to the New Bondholders by the Vendor (the "Joinder Summons"). As set out in note 32, on 19 September 2012, the Company entered into a sale and purchase agreement with the New Bondholders to repurchase the aforesaid convertible bonds at a consideration of HK$300,000,000 by cash. After that, the Vendor and the Company agreed that the Vendor should withdraw the Joinder Summons. According to the supplemental skeleton submissions for hearing by the Vendor, the Vendor limited his claim to the outstanding interest on the principal sum of HK$17,100,000 (the "Demanded Interest") and the costs of the summary judgement application and the action.

The Summons was heard on 24 September 2012. The court ordered that (1) the Company do pay to the Vendor (a) the Demanded Interest and (b) the costs of the action and costs of the Summons, except the hearing on 24 September 2012, to be taxed if not agreed ("Costs Order") and (2) the Vendor did have leave to withdraw the Joinder Summons. The Company paid a sum of HK$32,594, being the Demanded Interest to the Vendor on 28 September 2012; whilst the Company and the Vendor could not agree on the amount payable under the Costs Order. On 23 January 2013, the Vendor's solicitors presented their bill of costs in a total sum of HK$1,292,858 ("Vendor's Bill") with court. The Company objected on a total sum of HK$861,741 on 19 February 2013. The date of taxation hearing on the Vendor's Bill has been fixed on 21 August 2013. As at 31 December 2012, the Group accrued for the Vendor's Bill within other payables amounting to approximately HK$1,293,000.

42. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund ("MPF") Scheme under rules and regulations of Mandatory Provident Fund Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as at 31 December 2012 and 2011.

The Company's subsidiaries established in the PRC, in compliance with the applicable regulations of the PRC, participate in a state-managed retirement benefit scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The employees for Mining operation are employed by BMTJV on behalf of YT Parksong Australia and BMT. These employees are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

During the year ended 31 December 2012, the Group's share of total contributions to the retirement benefit schemes is approximately HK$5,881,000 (2011: HK$8,347,000).

43. RELATED PARTY TRANSACTIONS

During the year, the Group has entered into the following transactions with related parties:

	2012 HK$'000	2011 HK$'000
Sales of copper concentrate to Yuntinic (note)	**12,133**	–
Sales of tin concentrate to YTATR (note)	**387,128**	296,040
Sales of tin concentrate to YTC (note)	**–**	46,714
Amount due from Yuntinic included in trade receivables	**8,062**	–
Amount due from YTATR included in trade receivables	**38,122**	26,313
Interest paid to a non-controlling shareholder of a subsidiary	**1,066**	–
Interest paid to a director	**1,368**	–
Interest paid to a related party	**84**	–

43. RELATED PARTY TRANSACTIONS *(continued)*

Note: The price of tin/copper concentrates per dry metric ton was agreed by the above-mentioned parties after taking into account the factors:

(i) the London Metal Exchange cash settlement average price of tin/copper metal;

(ii) the treatment charge per dry metric ton;

(iii) deduction based on the final tin/copper content; and

(iv) penalty for impurity.

Details of amounts due from and to related parties are set out in notes 22, 29 and 30 respectively.

Compensation of key management personnel

The remuneration of members of key management including directors of the Company during the years was as follows:

	2012 HK$'000	2011 HK$'000
Short-term benefits	**2,632**	6,371
Contributions to retirement benefit scheme	**21**	77
Share-based payments expenses	**–**	49,810
	2,653	56,258

44. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was approved and adopted by the written resolutions of the shareholder of the Company passed on 21 October 2008, to recognise and acknowledge the contributions of selected participants to the growth of the Group.

The Board of Directors (the "Board") may, in its absolute discretion, offer to grant options to any employee, executive and officer of the Group, any director (including non-executive director and independent non-executive director) and any adviser, consultant, supplier, customer and/or agent of the Group whom the Board considered have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue as at the date on which the shares of the Company are listed on the Stock Exchange. The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Stock Option Scheme shall not exceed 30% of the shares in issue of the Company from time to time.

44. SHARE OPTION SCHEME *(continued)*

The total number of shares issued and which fall to be issued upon the exercise of the options granted under the Share Option Scheme (including both exercised and outstanding options) to any individual in any 12-month period up to the date of offer to grant shall not exceed 1% of the shares of the Company in issue as at the date of offer to grant. Any further grant of options in excess of this 1% limit shall be subject to issuance of a circular by the Company and approved by the Company's shareholders in accordance with the Share Option Scheme. Options granted to connected persons in excess of 0.1% of the Company's share capital or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Subject to the rules of the Share Option Scheme, options may be exercised, in whole or in part, at any time during the period from the date of acceptance of an offer of the grant of such option to the earlier of the date on which such option lapses and the tenth anniversary of the Share Option Scheme. Options granted must be accepted by the prescribed acceptance date. Upon acceptance of the option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is determined by the directors of the Company, and will not be less than the higher of the nominal value of the share, the closing price of the Company's shares on the date of offer; and the average closing price of the shares for the five business days immediately preceding the date of offer.

The table below discloses movement of the Company's share options held by the Group's directors and employees:

	Outstanding as at 1 January 2011 HK$'000	Granted during the year HK$'000 (note iii)	Forfeited during the period HK$'000	Cancelled during the year HK$'000 (note iv)	Outstanding as at 31 December 2011 and 2012 HK$'000
Director					
Mr. Cheng Hau Yan	–	25,000,000	–	(25,000,000)	–
Mr. Cheng Liang (note i)	–	10,000,000	(10,000,000)	–	–
Mr. Li Xianghong (note ii)	–	10,000,000	(10,000,000)	–	–
Employees	–	30,000,000	–	(30,000,000)	–
Consultant (note v)	–	35,000,000	(10,000,000)	(25,000,000)	–
	–	110,000,000	(30,000,000)	(80,000,000)	–

Notes:

(i) Mr. Cheng Liang resigned as director of the Company on 1 August 2011 and its share options were then forfeited.

(ii) Mr. Li Xianghong resigned as director of the Company on 1 April 2011 and its share options were then forfeited.

(iii) On 17 January 2011, the Company granted 110,000,000 share options to certain directors of the Company and employees of the Group. No consideration was received for the grant of the options. 50% of options will be exercisable 10 years from 18 July 2011 and 50% of options will be exercised 10 years from 18 January 2012 at an exercise price of HK$1.704 per share.

(iv) On 19 September 2011, all grantees agreed with the Company to cancel all share options granted to them. No outstanding share options are issued but not exercise thereafter.

(v) An individual resigned as consultant of the Company on 15 March 2011 and its share options were then forfeited.

44. SHARE OPTION SCHEME *(continued)*

Fair value of share options granted is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. For the year ended 31 December 2011, an amount of share option expenses of HK$70,131,000 has been recognised with a corresponding adjustment recognised in the Group's share option reserve.

The fair values of share options grated on 17 January 2011 determined at the date of grant using the Black-Scholes option pricing model was HK$94,132,000.

The following assumptions were used to calculate the fair values of share options:

Share price (Note i)	HK$1.650
Exercise price	HK$1.704
Expected life of options (Note ii)	10 years
Expected volatility (Note iii)	60.108%
Expected dividend yield	0%
Risk free rate	2.739%

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price. The changes in subjective input assumptions can materially affect the fair value estimate.

Notes:

(i) The share price represented the Company's share price at the date of grant of share options.

(ii) The expected options life is 10 years.

(iii) The expected volatility was determined by calculating the historical volatility of the Company's share price over three years immediately before the date of grant.

45. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2011, the Company disposed of the entire equity interest in Vitar Insulation at a consideration of HK$83,400,000 as detailed in note 38. The consideration of HK$41,530,000 was yet to be settled by the counterparty and was included in other receivables as at 31 December 2011. The amount has been settled during the year ended 31 December 2012.

As detailed in note 37, part of the purchase consideration of the entire equity interest in Parksong in 2011 was satisfied by the issue of convertible bonds with principal amount of HK$773,500,000. Also, a convertible bond with the principal amount of HK$33,000,000 was not issued at the Date of Completion, until certain conditions had been met (details as stated in note 37). This unpaid convertible bond was considered as contingent consideration payable and was designated as financial liabilities at fair value through profit or loss as at end of the reporting period.

During the year ended 31 December 2012, the Group purchased plant and equipment with the amount of approximately HK$13,622,000 (2011: HK$42,129,000) under finance leases.

46. EVENTS AFTER THE REPORTING PERIOD

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

On 5 March 2013, the Company completed the repurchase of convertible bonds with principal amount of HK$580,000,000 from the bondholders. Details are disclosed in note 2. Upon the completion of the repurchase of convertible bonds, the Group will record a gain of approximately HK$231 million on the repurchase and credited to the profit or loss and the difference on the amount of consideration allocated to equity and the equity component of the Convertible Bonds of approximately HK$237 million is transferred to accumulated losses.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2012 HK$'000	2011 HK$'000
Non-current assets		
Investments in subsidiaries	**600,140**	136,305
Amounts due from subsidiaries	**23,661**	676,634
	623,801	812,939
Current assets		
Other receivables and payables	**2,306**	42,020
Deposit paid for repurchase of convertible bonds	**150,000**	–
Bank balance	**–**	–
	152,306	42,020
Current liabilities		
Other payables and accruals	**6,114**	2,204
Financial liabilities at FVTPL	**–**	20,400
Loan from a director	**1,368**	–
Convertible bonds	**328,483**	–
	335,965	22,604
Net current (liabilities) assets	**(183,659)**	19,416
	440,142	832,355
Capital and reserves		
Share capital (see note 33)	**14,400**	14,400
Reserves	**325,838**	456,929
Total equity	**340,238**	471,329
Non-current liability		
Convertible bonds	**99,904**	361,026
	440,142	832,355

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2011	14,400	389,589	–	–	(8,449)	395,540
Loss and total comprehensive expense for the year	–	–	–	–	(571,553)	(571,553)
Recognition of equity component of convertible bonds	–	–	–	577,214	–	577,214
Recognition of equity settled share-based payments	–	–	70,131	–	–	70,131
Transfer upon cancellation of share options	–	–	(70,131)	–	70,131	–
At 31 December 2011	14,400	389,589	–	577,214	(509,871)	471,332
Loss and total comprehensive expense for the year	–	–	–	–	(134,359)	(134,359)
Early redemption on convertible bonds	–	–	–	(11,135)	–	(11,135)
At 31 December 2012	14,400	389,589	–	566,079	(644,230)	325,838

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2012 and 2011 are as follows:

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital 2012	2011	Proportion of ownership interest held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Alpha Allied Investments Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	**–**	–	Investment holding
Ever Success Global Holdings Limited	The British Virgin Islands (the "BVI")	**US$100**	US$100	**100%**	100%	**–**	–	Inactive
Gallop Pioneer Limited	The BVI	**US$100**	US$100	**100%**	100%	**–**	–	Investment holding
Goodtop Institute of Tin Research Limited	The BVI	**USD1,000**	USD1,000	**100%**	100%	**–**	–	Inactive

48. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital 2012	2011	Proportion of ownership interest held by the Company Directly 2012	Directly 2011	Indirectly 2012	Indirectly 2011	Principal activities
Gold Daihe Limited	Hong Kong	**HK$10,000**	HK$10,000	**–**	–	**100%**	100%	Inactive
L'sea Biological Resources Hong Kong Company Limited	Hong Kong	**HK$60**	HK$60	**–**	–	**60% (note)**	–	Investment holding
萬嘉世紀貿易(深圳)有限公司#	The PRC	**HK$50,000,000**	HK$50,000,000	**–**	–	**100%**	100%	Investment holding
Parksong	Hong Kong	**HK$10,000**	HK$10,000	**–**	–	**100%**	100%	Provision of administrative services to group companies
Rise Champ Corporation Limited	Hong Kong	**HK$1**	HK$1	**–**	–	**100% (note)**	–	Inactive
Wise Up Investment Limited	Hong Kong	**HK$1,000**	HK$1,000	**–**	–	**100% (note)**	–	Investment holding
Yunnan Tin Hong Kong (Holding) Group Co., Limited	Hong Kong	**HK$10,000**	HK$10,000	**–**	–	**82%**	82%	Investment holding
YT Parksong Australia	Australia	**AUD1**	AUD1	**–**	–	**82%**	82%	Exploration, development and mining of tin ores in Australia
YT Parksong Australia Management Pty. Limited	Australia	**AUD1**	AUD1	**–**	–	**82%**	82%	Inactive

Wholly foreign owned enterprise registered in the PRC.

Note: These subsidiaries were incorporated/established during the year ended 31 December 2012.

None of the subsidiaries had issued any debt securities at the end of the year or during the year.

FIVE YEARS FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Revenue					
Continuing operations	–	–	–	355,626	**399,261**
Discounting operations	193,890	134,586	207,350	231,286	**–**
	193,890	134,586	207,350	586,912	**399,261**
Profit (loss) attributable to owners of the company	6,210	(12,738)	(12,756)	(733,490)	**(236,820)**

ASSETS AND LIABILITIES

	As at 31 December				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012** **HK$'000**
Total assets	241,121	210,172	549,972	1,184,133	**1,038,607**
Total liabilities	68,591	57,727	51,690	729,623	**849,773**
Total equity	172,530	152,445	498,282	454,510	**188,834**

Note:

The Company was incorporated in the Cayman Islands on 22 January 2008 and became the holding company of the Group on 21 October 2008 as a result of a group reorganisation as set out in the prospectus dated 30 October 2008 issued by the Company (the "Prospectus").

The results of the Group for each of the four years ended 31 December 2008 and the assets and liabilities of the Group as at 31 December 2007 have been prepared on a combined basis as if the Group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout the years concerned and have been extracted from the Prospectus.