利海資源
L'SEA RESOURCES

L'sea Resources International Holdings Limited
利海資源國際控股有限公司

(Incorporated in the Cayman Islands with limited liablity)

(Stock Code: 00195)

Annual Report 2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Xie Haiyu *(Chairman)*
(resigned on 8 March 2013)
Mr. Chen Zhenliang *(Chairman)*
(redesignated from Non-executive Director to Executive Director on 1 April 2013)
Mr. Nie Dong
Mr. Cheung Wai Kuen
Mr. Pu Xiaodong
(resigned on 29 January 2014)
Mr. Wang Chuanhu (appointed on 1 April 2014)

Non-executive Directors
Professor Qiu Guanzhou
Mr. Li Xianghong
(appointed on 13 March 2013 & resigned on 1 April 2014)
Dr. Shi Hao, Simon (appointed on 1 April 2014)

Independent Non-executive Directors
Mr. Gao Dezhu
Mr. Kang Yi
Mr. Chi Chi Hung, Kenneth

COMPANY SECRETARY

Ms. Tse Wun Ying

AUTHORISED REPRESENTATIVES

Mr. Nie Dong
Ms. Tse Wun Ying

PRINCIPAL BANKERS

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

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite No. 1B on 9/F, Tower 1
China Hong Kong City
33 Canton Road
Tsim Sha Tsui
Kowloon, Hong Kong

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 22, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

00195

COMPANY WEBSITE

www.lsea-resources.com

Chairman Statement

Dear Shareholders,

On behalf of the Board of Directors, 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 2013.

In 2013, the tin market was highly volatile. At the beginning of the year, driven by favorable news of the encouraging prospect of the European economy and China's strong exports, tin price rose to its annual highest at USD25,150 per tonne in mid-January. The tin price dropped below USD20,000 per tonne as a result of the panic triggered by tapering Quantitative Easing in middle of the year. Since August, due to the new export regulation of mineral resources imposed by Indonesia, the market supply was restricted and the tin price had a gradual upturn to the level of approximately USD23,000 per tonne. Despite the fluctuation in the tin market, the annual average tin price for physical settlement of London Metal Exchange (LME) maintained at USD22,304 per tonne for 2013 (2012: USD21,094 per tonne), a year-on-year increase of 5.7%.

The total production volume of tin metal of Renison underground mine in 2013 was 6,151 tonnes (2012: 5,849 tonnes), an increase of approximately 5.2%.

Exploration in Renison underground mine achieved a satisfactory progress in 2013, increases in tin resources and reserves were recorded. Under the comparison of the estimates as at 31 December 2013 and 31 December 2012 in respect of the mine's estimation reports, the Total Mineral Resources of Renison underground mine increased by 19% year-on-year (from 9,640,000 tonnes to 11,500,000 tonnes) and the Total Ore Reserves increased by 47% year-on-year (from 3,742,000 tonnes to 5,510,000 tonnes). Such increase in resources and reserves will extend the life of the mine significantly and provide a solid base for production expansion.

The management of the Group has further improved the productivity of Renison underground mine. In March 2013, the Group appointed a new mining contractor upon the expiration of the previous mining contract. The Group through Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") sold the Renison underground mine's mining equipment to the new mining contractor, and focused on the investment in processing equipment for improving the tin production. After disposal of the mining equipment, the annual finance lease costs, the maintenance costs and the depreciation expenses decreased accordingly. Furthermore, the purchase of mine processing filter and gravity concentrators has improved the feed rate and recovery rate of the processing capacity of the Renison mine. BMTJV has strengthened production site management and conducted regular equipment checking, to ensure a normal and safe operation and to improve the production efficiency of the Renison mine.

The Group has also strengthened the co-operation with the Yunnan Tin Group in the exchange of mining technology. After in-depth discussion and study with the Yunnan Tin Group, the management of BMTJV decided to apply the narrow vein mining method in part of the mining zone of the Renison mine starting from late January 2014. The use of single-boom jumbo for narrow vein mining would improve the processing head grade, lower the mining costs and reduce ore dilution.

Looking ahead, following the global economic turnaround, electronic industry, the major tin consumption sector, will benefit from seasonal recovery. The tin consumption will increase with a persistent growth. Tin mine productivity is predominantly limited by the mineral resources. As Renison underground mine of the Group is endowed with rich tin resources and reserves, we are optimistic about the tin mining industry in long term. We will seize the opportunity of the growth of tin consumption as stimulated by the recovery of the electronic industry, strengthen the management of the operation and improve the production efficiency of the mine, so as to contribute positively to the Group.

On behalf of the Board, I would like to express our gratitude to management, staff of all levels for their dedication and contribution in the past year. More importantly, I would like to further express our sincere appreciation to our customer, suppliers, business partners and shareholders for their continuous supports.

Chen Zhenliang
Chairman

Management Discussion and Analysis

MARKET REVIEW

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

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

BUSINESS OVERVIEW

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

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

Exploration in Renison underground mine achieved a satisfactory progress in the year. According to the announcements of estimates of ore resource in July and September of 2013, the estimated Total Mineral Resource increased by 31% to 11,570,000 tonnes with grading of 1.76% tin content, resulting an approximately 204,000 tonnes of tin metal during the period from end of June to end of August of 2013. Based on the announcement in March 2014, the estimated Total Ore Reserve increased by 43% to 5,510,000 tonnes with grading of 1.38% tin content, resulting an approximately 75,800 tonnes of tin metal during the period from end of June to end of December of 2013, representing nearly eight years of current production capacity.

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

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

Management Discussion and Analysis

PROSPECT

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

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

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

FINANCIAL REVIEW

Revenue

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

Cost of sales

Cost of sales includes mainly direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$471.9 million for the year ended 31 December 2013 (2012: HK$463.6 million), representing 105.6% of the revenue recorded in the corresponding year (2012: 116.1%). The increase in cost of sales was mainly due to the increase in costs incurred to the mining contractor in relation to the increase in tin production volume.

Gross loss and margin

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

Other gains and losses

The Group recorded other gains of approximately HK$165.1 million for the year ended 31 December 2013 (2012: other losses: HK$124.5 million). The other gains for the year was mainly as a result of gain of HK$192.9 million on the repurchase of convertible bonds. The turn of other losses to other gains was also due to less provision made for impairment loss this year.

Administrative expenses

Administrative expenses, which represented approximately 8.8% of the Group's revenue, decreased by approximately 10.3% from HK$43.7 million for the year ended 31 December 2012 to approximately HK$39.3 million for the year ended 31 December 2013, mainly due to the reduction in entertainment and travelling expense.

Finance costs

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

Pursuant to the sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") dated 13 July 2010 ("Parksong S&P Agreement") signed between Mr. Chan Kon Fung ("Mr. Chan") as the vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor, part of the consideration is settled by the issuance of convertible bonds. On the Completion Date, being 4 March 2011, the Company issued zero-coupon convertible bonds with principal amount of HK$773.5 million with maturity of five years. The convertible bonds were denominated in HK$ and entitled the holders to convert them into shares of the Company at any time within 5 years from the date of issue of the convertible bonds, at the conversion price of HK$1.47 per share. If the convertible bonds had not been converted, they would be redeemed on 3 March 2016 at par.

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

On 19 September 2012, the Company entered into a sale and purchase agreement with bondholders to repurchase the convertible bonds with principal amount of HK$ 580,000,000 ("Convertible Bonds") at a consideration of HK$300,000,000 by cash. The repurchase of Convertible Bonds was approved by shareholders during extraordinary general meeting of the Company on 20 November 2012. Thus, the carrying amount of Convertible Bonds repurchased in the sum of HK$328,483,000 was re-classified as current liabilities as the liability was expected to be settled within 12 months as at 31 December 2012. The remaining Convertible Bonds in the sum of HK$99,904,000 was classified as non-current liabilities as the Convertible Bonds were expected to be settled at maturity date as at 31 December 2012.

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 31 December 2013, the Group did not have any bank facilities but had obligation under finance lease of approximately HK$1 million (2012: HK$42.5 million). The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 0.1% as at 31 December 2013 (2012: 4.1%).

As at 31 December 2013, the Group had net current assets of approximately HK$72.7 million (2012: net current liabilities of HK$348.1 million). Current ratio as at 31 December 2013 was 1.5 (2012: 0.5). The bank and cash balance of the Group as at 31 December 2013 was approximately HK$122.2 million (2012: HK$50.7 million).

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

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

Loan capitalisation

On 19 September 2012, the Board announced that Mr. Xie Haiyu ("Mr. Xie") as the lender had made an unsecured loan of HK$150 million (the "Loan") at an interest rate of 3% per annum to Parksong to facilitate the repurchase of Convertible Bond. The Loan was drawn down fully on 19 September 2012 and was subsequently novated to the Company on 27 September 2012.

On 27 September 2012, the Company entered into a conditional loan capitalisation agreement with Mr. Xie pursuant to which Mr. Xie had 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 to Mr. Xie ("Loan Capitalisation Agreement"). As at the date of the Loan Capitalisation Agreement, the Group was indebted to Mr. Xie in the sum of approximately HK$151.5 million.

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

Management Discussion and Analysis

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 had been fulfilled and completed in accordance with the terms and conditions of the Placing Agreement. An aggregate of 1,804,000,000 Placing Shares had 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 had utilized the aforementioned net proceeds to finance the repurchase of Convertible Bond and to repay the loan balances to Mr. Xie and retained the balance for future potential investments and general working capital purpose.

CHARGES OF ASSETS

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

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

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

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisition and disposal during the year 2013.

Management Discussion and Analysis

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.

On 17 January 2011, the Company granted 110,000,000 share options to certain directors of the Company, employees and consultants of the Group. No consideration was received for the grant of the options. 50% of options are exercisable 10 years from 18 July 2011 and 50% of options are exercisable 10 years from 18 January 2012 at an exercise price of HK$1.704 per share. On and before 19 September 2011, all grantees agreed with the Company to cancel all share options granted to them and 30,000,000 share options were forfeited due to the resignations of the relevant employees and consultant. No outstanding share options were issued but not exercised thereafter.

Up to 31 December 2013, 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 2013, the Group employed approximately 25 employees (2012: 36). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-owned retirement benefit scheme in the PRC. The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited (" BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

MINE INFORMATION

Renison Tin Project

Renison Mine located in Tasmania has been one of the major hard rock tin mines in the world and is the largest tin producer in Australia. Tin mining has been carried out at or near Renison since alluvial tin was discovered in 1890. Over the operational history, the mine was owned by several operators. In May 2003, the operation was suspended and BMT purchased the mine in 2004 and commenced redevelopment of the mine. After the acquisition of BMT by Metals X Limited ("Metals X"), the mine restarted in 2008. In March 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin Group (Holding) Co. Limited ("Yunnan Tin PRC") indirectly holds 18% interest of YTPAH. In March 2010, YTPAH completed the acquisition of 50% interest in BMT's assets. Under the joint venture agreement between YTPAH and BMT, an unincorporated joint venture ("JV") was formed. The Company has participated in the management of the JV through the interest held in YTPAH. YTPAH is an indirectly owned subsidiary of the Company. BMT is a wholly-owned subsidiary of Metals X which is a company listed on the Australian Securities Exchange.

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

Management Discussion and Analysis

As per the 2012 Australian Joint Ore Resources Committee ("JORC") reporting guidelines, a summary of the material information used to estimate the Mineral Resource of Renison Underground is as follows:

Drilling/Informing Data

The bulk of the data used in resource estimations at Renison Underground has been gathered from diamond core. Three sizes have been used historically NQ2 (45.1mm nominal core diameter), LTK60 (45.2mm nominal core diameter) and LTK48 (36.1mm nominal core diameter), with NQ2 currently in use. This core is geologically logged and subsequently halved for sampling. Grade control holes may be whole-cored to streamline the core handling process if required.

Each development face/round is horizontally chip sampled at Renison Underground. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m.

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

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

Sampling/Assaying

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

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

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

Geology/Geological Interpretation

Renison Underground is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. Renison Underground is the largest of three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The Renison Underground area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-Cambrian siliciclastic and volcaniclastic rocks. At Renison Underground, there are three shallow-dipping dolomite horizons which host replacement mineralization. The Federal Orebody Mining has occurred since 1800's providing a significant confidence in the currently geological interpretation across all projects. No alternative interpretations are currently considered viable. Geological interpretation of the deposit was carried out using a systematic approach to ensure that the resultant estimated Mineral Resource figure was both sufficiently constrained, and representative of the expected sub-surface conditions. In all aspects of resource estimation, the factual and interpreted geology was used to guide the development of the interpretation.

Renison Underground has currently been mined over a strike length of >1,950m, a lateral extent of >1,250m and a depth of over 1,100m.

Management Discussion and Analysis

Database

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

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

Estimation and modelling techniques

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

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

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

Grade estimation utilizing the ordinary kriging method. By-product and deleterious elements are estimated at the time of primary grade estimation.

The resource is then depleted for mining voids and subsequently classified in line with JORC guidelines utilizing a combination of various estimation derived parameters and geological/mining knowledge.

Estimation results are validated against primary input data, previous estimates and mining output. Good reconciliation between mine claimed figures and milled figures is routinely achieved.

Tonnage estimates are dry tonnes.

Cut-Off Grade

The resource reporting cut-off grade is 0.7% Sn at Renison Underground based on economic assessment and current operating and market parameters.

Metallurgical and Mining Assumptions

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

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

Management Discussion and Analysis

Classification

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

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

Estimated Tin Resources and Reserves

For the year ended 31 December 2013, 214 core holes with NQ2 for 29,968 meters in total had been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves. In addition, some near-surface resources had been added to the overall resources, which amounted to a total resource of 190,120 tonnes contained tin metals from 11,498,995 tonnes of ores averaging 1.65% Sn.

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

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

Category	Tonnage (kt)	Grade % Sn	Contained Sn(t)
Resources			
Measured	**683**	**2.11**	**14,400**
Indicated	**6,341**	**1.56**	**98,900**
Inferred	**4,476**	**1.72**	**76,800**
Total	**11,500**	**1.65**	**190,100**
Reserve			
Proven	**623**	**1.61**	**10,000**
Probable	**4,887**	**1.35**	**65,800**
Total	**5,510**	**1.38**	**75,800**

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

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

Management Discussion and Analysis

Operating Expenses for the period ended 31 December 2013

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

Capital Expenditure for the period ended 31 December 2013

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

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

Total Resource and Reserve Estimates as at 31 December 2013

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

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

Renison Underground

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

The mine is adjacent to the sealed Murchison Highway which connects Renison Underground with Burnie on the north coast. The Emu Bay railway also runs adjacent to the mine and gives access to Burnie's shipping facilities, although Renison Underground does not use the railway for its products, but rather loads the tin concentrate in 2 tonnes metal bins which are trucked to Burnie for containerizing and export.

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

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 18 million tonnes of tailings with an average grade of 0.4% tin and 0.21% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital is currently estimated to be approximately AUD213 million +/-15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin Group's production plants in the PRC in late April 2013, has in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project BMTJV has appointed Yunnan Tin Group to appraise the project and provide recommendation for their consideration, for the year ended 31 December 2013, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

MAJOR LITIGATION

HCA 1357/2011

The legal proceedings involves the disputes regarding the sale and purchase agreement dated 13 July 2010 ("Parksong S&P Agreement") in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") signed between Mr. Chan Kon Fung ("Mr. Chan") as the vendor, Gallop Pioneer Limited ("GPL") as the purchaser and the Company being GPL's parent company as the guarantor. The completion of the acquisition of Parksong took place on 4 March 2011 ("Completion Date").

GPL and the Company were named as defendants in a Writ of Summons with a Statement of Claim dated 11 August 2011 filed by Mr. Chan. Under the Statement of Claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK$104,190,000), being the alleged amount of receivables payable to Mr. Chan ("Chan's Claim").

GPL and the Company denied Chan's Claim and has made counterclaim against Mr. Chan. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement ("Payables"); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to a Hong Kong company ("HK Co."), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) In breach of the Parksong S&P Agreement, Mr. Chan has unilaterally caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company without the consent of GPL; and (4) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement ("Production Shortfall"). Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$193,846,000 in total) and damages etc.

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 (with subsequent amendments) that (1) the third set of documents as pleaded in the AD&C reflected the correct position and understanding of Mr. Chan, GPL and the Company in making the Parksong S&P Agreement, and (2) that the Payables due under the Parksong S&P Agreement was at the sum of AUD3,244,520.24, Mr. Chan has denied the claims made by GPL and the Company in the AD&C.

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

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

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

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

HCA 2184/2011

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

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

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

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

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

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

A sum of HK$32,594 was paid to Mr. Chan by the Company on 28 September 2012 in satisfaction of (1) above; whilst the parties could not agree on the amount payable under the Costs Order. On 23 January 2013, Mr. Chan filed a Notice of Commencement of Taxation together with their bill of costs in a total sum of HK$1,292,858 (the "Bill") with court. The Company then filed a list of objections objecting on a total sum of HK$861,741 on 19 February 2013. Taxation of the Bill was heard on 21 August 2013. Pursuant to the sealed copy Allocatur served on 2 October 2013, the Company made payment in the sum of HK$1,002,807.96, being the judgment sum of HK$926,645.33 plus interest for the period from 24 September 2012 to 3 October 2013, to Chan's solicitors on 3 October 2013.

Directors and Senior Management

Below set out the profile of Directors and Senior Management with update of the information of Directors (pursuant to disclosure requirement under Rule 13.51 B(1) of the Listing Rules).

EXECUTIVE DIRECTORS

Mr. Xie Haiyu (謝海榆), aged 49, has been an Executive Director and the 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 29 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 was 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 61, a Non-Executive Director of the Company since September 2012, then re-designated as an Executive Director and appointed as the Chairman of the Board with effect from 1 April 2013. Mr. Chen is senior engineer with post-graduate qualification. Mr. Chen was the general manager of Guangdong Shilu Copper Co. Ltd., the vice general manager of China National Nonferrous Metals Industry Corporation Guangzhou Co., the director and the general manager of China Tungsten and Hightech Materials Co. Ltd., the director, the general manager and the vice secretary of Party Committee of Guangdong Rising Nonferrous Metals Group Co., Ltd. and the director and the general manager of Rising Nonferrous Metals Share Co., Ltd.. Mr. Chen is an expert member of China Nonferrous Metals Expert Committee. In 2013, Mr. Chen was ranked by Forbes China as 2013's top 50 Forbes China Best CEOs. Since 2009, Mr. Chen has been a director of Shenzhen Zhongjin Lingnan Nonfemet Company Limited (Stock Code: 000060), a company listed on the Shenzhen Stock Exchange.

Mr. Nie Dong (聶東), aged 46, has been an Executive Director of the Company since August 2012. Mr. Nie 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 nearly 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. CHEUNG Wai Kuen (張偉權), aged 40, has been an Executive Director of the Company since December 2009. Mr. Cheung has been also a member of the Nomination Committee of the Company since March 2012. Mr. Cheung has over 11 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 Common Splendor International Health Industry Group Limited (Stock Code: 00286), a company listed on the Stock Exchange of Hong Kong Limited.

Mr. Pu Xiaodong (蒲曉東), aged 45, was an Executive Director and the CEO of the Company since August 2012. Mr. Pu resigned as the CEO of the company on 8 March 2013 and an Executive Director on 29 January 2014. Mr. Pu holds a master of business administration degree from La Trope University, Australia. Mr. Pu has over 16 years' experience in management and business development. Prior to joining the Group, Mr. Pu was the CEO of Xiamen Prosolar Real Estate Co., Limited (Stock Code: 600193), a company listed on the Shanghai Stock Exchange, for four years.

Directors and Senior Management

Mr. Wang Chuanhu (汪傳虎), aged 46, has been an Executive Director since April 2014. Mr. Wang graduated from North China University of Technology in 1987 and holds a bachelor degree in management from Beijing Municipal Committee of the CPC Party School in 1998. Prior to joining the Group, Mr. Wang has over 25 years' extensive experience in design of large enterprises, investment and operational management in various industrial, construction and commercial sectors in The People's Republic of China. Mr. Wang is currently the chief executive officer of L'sea International Holdings Limited.

NON-EXECUTIVE DIRECTORS

Professor Qiu Guanzhou (邱冠周), aged 65, has been a Non-Executive director of the Company since August 2012. Professor Qiu 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. Professor Qiu 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 complex 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, Professor Qiu made great contribution to biological metallurgy of low-grade sulfide ores and was venerated as a state technology specialist with outstanding contribution. Professor Qiu has published over 97 technical scientific papers and 5 books and was awarded 6 National Awards. Professor Qiu 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 Xianghong (李向鴻), aged 46, was a Non-Executive Director of the Company since March 2013 resigned as a Non-Executive Director of the Company on 1 April 2014. Mr. Li 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 was an Executive Director for the Company from December 2010 to April 2011.

Dr. Shi Hao, Simon (師顥), aged 49, has been a Non-Executive Director of the Company since April 2014. Dr. Shi graduated from Fudan University with a bachelor degree in Biophysics in 1987 and obtained a PhD degree at State University of New York Downstate Medical School in 1995, a postdoctoral fellow at an affiliate hospital of Harvard University Harvard Medical School in 1998 and a MBA degree from University of Southern California Marshall School of Business in 2000. Dr. Shi has over 15 years' experience in financial management, fund and asset management in various international investment group. Prior to joining the Group, Dr. Shi was previously a Vice-president and Chief Financial Officer and Financial Controller in several public-listed companies in United States of America, the PRC, Taiwan and Hong Kong. Dr. Shi is currently the Chief Financial Officer of Munsun Assets Management Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Dezhu (高德柱), aged 74, 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.

Directors and Senior Management

Mr. Kang Yi (康義), aged 73, 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. Mr. Kang is a professor of engineering and is currently the Honourable Chairman of the China Nonferrous 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. Mr. Kang 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 45, has been an Independent Non-executive Director, the Chairman of the Audit Committee and the member of the Remuneration Committee since October 2012. Mr. Chi was also appointed as the member of the Nomination Committee on 8 March 2013. Mr. Chi has over 21 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. Mr. Chi 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 Guocang Group Limited (Stock Code: 00559), China Sandi Holdings Limited (Stock Code: 00910), M Dream Inworld Limited (Stock Code: 08100) and Ceneric (Holdings) Limited (Stock Code:00542), companies listed on the Stock Exchange of Hong Kong Limited. Mr. Chi is also an independent non-executive director of Hong Kong Life Sciences and Technologies Group 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 (Stock Code: 02322), companies listed on the Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Ouyang Donghua (歐陽東華), aged 50, has been the Vice Chief Executive Officer since August 2013. Mr. Ouyang graduated from Central South University Of Technology (currently known as Central South University) with a bachelor degree of engineering in Metallurgical Physical Chemistry, and obtained a master degree of Applied Chemistry in the university in 1988. Mr. Ouyang, with educational background on nonferrous metals industry, has about 15 Years' experience in capital management, and possesses experience in the M&A and restructuring of A and H share listed companies. Prior to joining the Group, Mr. Ouyang was the Associate Director and Research Officer of Shenzhen Munsun Assets Management Limited, and was also the Fund Manager of Dacheng Fund Management Co. Ltd. and Baoying Fund Management Co. Ltd.

Ms. Tse Wun Ying (謝煥英), aged 53, 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. Ms. Tse obtained a Master Degree in China Accountancy from Guangzhou Jinan University in January 2004. Ms. Tse 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. Ms. Tse is also a member of the Taxation Institute of Hong Kong and a Certified Tax Advisor. Ms. Tse has over 27 years of experience in financial management in various commercial and industrials sectors. Prior to joining the Group, Ms. Tse was 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 51, 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 25 years of experience in corporate finance, accounting, personnel and administration. Mr. Wong is currently an independent non-executive director of China Digital Culture (Group) Limited (Stock Code: 08175), a company listed on the Stock Exchange of Hong Kong Limited. Mr. Wong was previously an executive director of Rising Power Group Holdings Limited (Stock Code: 08047) and Sing Pao Media Enterprises Limited (Stock Code: 08010), an independent non-executive director of Digital Domain Holdings Limited (Stock Code: 00547), companies listed on the Stock Exchange of Hong Kong Limited.

Corporate Governance Report

The Board is 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 "Corporate Governance Code" (the "Code") as set out in Appendix 14 to 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 2013, the Company had complied with all provision under the Code, except for the deviation from the code provisions A.1.1, A.2.7 and C.1.2. This corporate governance report contains the detailed explanations on the Company's practices in compliance with the applicable code provisions and the considered reasons for such deviations.

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. Wang Chuanhu; two Non-Executive Directors (the "NED"), namely, Mr. Qiu Guanzhou and Dr. Shi Hao, Simon; and three Independent Non-Executive Directors (the "INED"), namely, Mr. Gao Dezhu, 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 17 to 19 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 2013, 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.

Corporate Governance Report

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 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 2013 were as follows:

	Number of meeting attended / number of meeting convened within the period of appointment for individual director					
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 Haiyu (resigned on 8 March 2013)	17/19	N/A	N/A	N/A	0/1	0/1
Mr. Cheung Wai Kuen	29/38	N/A	3/3	N/A	0/1	0/1
Mr. Pu Xiaodong (resigned on 29 January 2014)	27/38	N/A	N/A	N/A	0/1	0/1
Mr. Nie Dong	36/38	3/3	N/A	N/A	0/1	1/1
Mr. Chen Zhenliang (re-designated from NED to ED on 1 April 2013)	29/38	N/A	N/A	N/A	1/1	0/1
Non-Executive Directors						
Mr. Qiu Guanzhou	29/38	N/A	N/A	N/A	0/1	0/1
Mr. Li Xianghong (appointed on 13 March 2013 and resigned on 1 April 2014)	18/18	N/A	N/A	N/A	0/1	0/1
Independent Non-Executive Directors						
Mr. Gao Dezhu	30/38	3/3	3/3	2/2	0/1	0/1
Mr. Kang Yi	26/38	3/3	3/3	2/2	0/1	0/1
Mr. Chi Chi Hung, Kenneth	29/38	3/3	3/3	2/2	1/1	0/1

Note: There were 38 Board Meetings held during the financial year ended 31 December 2013 which included 3 meetings with formal notice and agenda.

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 and the Board Committees 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.

Corporate Governance Report

DEVIATIONS FROM THE CODE PROVISIONS

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

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

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

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. External lawyer was engaged for Directors' Training. A seminar in relation to the obligation for inside information disclosure was organized in May 2013 to all Directors. Some conferences/forums in relation to the Company's business were attended by Directors during the year. Reference materials such as the Listing Rules, Companies Ordinance, Securities and Futures Ordinance and the Code on Takeovers and Mergers, etc. were purchased and ready for all Directors for reading. The company secretary is available and external law firm is engaged, to answer the enquiries and questions relevant to the Company's operation and business, common laws, the Listing Rules, legal and regulatory requirements and governance policies raised by all Directors from time to time. 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.

A summary of trainings received by Directors since 1 January 2013 to 31 December 2013 according to the records kept by the Directors is as follows:

Directors	Type of trainings: Seminars and/or Conferences and/or forums	Corporate Events or visits	Reading
Executive Directors			
Mr. Xie Haiyu	✓	✓	✓
Mr. Chen Zhenliang	✓	✓	✓
Mr. Nie Dong	✓	✓	✓
Mr. Cheung Wai Kuen	✓	✓	✓
Mr. Pu Xiaodong	✓	✓	✓
Non-executive Directors			
Professor Qiu Guanzhou	✓	✓	✓
Mr. Li Xianghong	✓	✓	✓
Independent Non-executive Directors			
Mr. Gao Dezhu	✓	✓	✓
Mr. Kang Yi	✓	✓	✓
Mr. Chi Chi Hung, Kenneth	✓	✓	✓

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 Haiyu 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 Xiaodong resigned as the CEO on 8 March 2013 and resigned as ED on 29 January 2014 and Mr. Nie Dong filled the vacancy of CEO on 8 March 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

The Company has renewed a service contract with Professor Qiu Guanzhou, for a term of one year starting from 10 August 2013 and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. He is entitled to have a monthly salary of HK$15,000.

Dr. Shi Hao, Simon has entered into a service contract with the Company for a term of 1 year starting from 1 April 2014 and will continue thereafter until terminated by not less than one month's notice in writing served by either party on the other. He is entitled to have a monthly salary of HK$20,000.

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 as the code of conduct regarding securities transactions by directors. All directors have confirmed in written that, in respect of the year ended 31 December 2013, 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 Code under Appendix 14 to the Listing Rules.

The terms of reference of the RC were revised on 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.

The RC is to make recommendations to the Board on the remunerations packages of individual executive Director and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

Remuneration Committee composition

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

Remuneration Committee meetings

During the year ended 31 December 2013, the RC had met three times to discuss the remuneration of Directors.

The details of the number of the RC meetings held during the year of 2013 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 21 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 11 to the consolidated financial statements.

NOMINATION COMMITTEE

Nomination Committee functions

The nomination committee of the Company (the "NC") was established on 30 March 2013 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 Code under Appendix 14 to 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.

Board Diversity Policy

During the year, the Board has adopted a board diversity policy effective on 1 September 2013. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 9 Directors. Among which, two of them are non-executive Director and three of them are independent non-executive Directors. The Directors are of diverse educational background and possess a wide spectrum of professional qualifications and business experience. The Board is of significant diversity, whether considered in terms of professional and educational background and skills.

Nomination Committee composition

The NC comprises three INED namely, Mr. Kang Yi, Mr. Gao Dezhu 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 2013, the NC had met three times 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 2013 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 21 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 Code under Appendix 14 to 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 Dezhu. 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 2013, 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 2012 prior to recommending them to the Board for approval;

– to review the interim results of the Group for the half year ended 30 June 2013 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 2013 prior to recommending them to the Board for approval and the Board had agreed with the AC 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 AC meetings held during the year ended 31 December 2013 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 21 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 2013 in conjunction with the Group's external auditors.

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the Company engaged Deloitte Touche Tohmatsu as the external auditor of the Company to perform audit and non-audit services. The audit fee was approximately HK$2,200,000 and non-audit service fee for review of preliminary results announcement was HK$20,000 for the year ended 31 December 2013.

COMPANY SECRETARY

The company secretary is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Chairman and the Chief Executive Officer. From time to time, the company secretary advises the Board on governance matters and ensures the board procedures, applicable law, rules and regulations are followed. During the year ended 31 December 2013, the company secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

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 2013 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 four 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 2013, 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 37 to 38.

COMPLIANCE COMMITTEE

The Board has assigned a compliance committee (the "CC") comprised of the Company Secretary and lead by an executive Director to monitor and oversee all transactions in relation to the Listing Rules. The CC is also responsible for performing the functions set out in Code provision D.3.1. The CC will meet to develop, review and monitor the Company's corporate governance policies and practices, to review and monitor training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors and to review the compliance of the Company and the disclosure in the corporate governance report.

During the year 2013, in relation to the corporate governance functions, the CC has reviewed the Company's compliance with the Code and the regulatory and statutory requirements, and the disclosure in the corporate governance report.

Corporate Governance Report

SHAREHOLDERS' RIGHT

Right to convene General Meeting

Shareholders holdings at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing shareholders to propose new resolutions at general meetings under the Cayman Islands Companies Law or the articles of association of the Company. Shareholders who wish to propose a resolution may request the Company to convene an extraordinary general meeting following the procedures set out in the preceding paragraph.

Right to Put Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing for the attention of the Company Secretary of the Company whose contact details are as follows:

Suite No. 1B on 9/F, Tower 1, China Hong Kong City,
33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Fax: (852) 3691 8023
Email: astertse@lsea-resources.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant committees of the Board to answer the shareholders' questions where appropriate.

Investor Relations

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 2014. 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 the Company herein presents the annual report and the audited consolidated financial statements (the "Consolidated Financial Statements") of the Group for the year ended 31 December 2013.

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 41 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 39. The directors do not recommend the payment of a dividend for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 23 May 2014 to Wednesday, 28 May 2014, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Thursday, 22 May 2014 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 22 May 2014.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2013 are set out in note 15 to the Consolidated Financial Statements.

SHARE CAPITAL AND SHARE OPTIONS

There was no movement in the share capital (except the placing of new shares and capitalisation of loan as disclosed in the section headed "Management Discussion and Analysis") and share options of the Company during the year ended 31 December 2013.

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2013, the Company's reserves available for distribution to shareholders were as follows:

	HK$'000
Share premium	822,927
Accumulated losses	(350,671)
	472,256

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

There is no bank borrowings at as 31 December 2012 and 2013. Details of loans from a director and a related company are set out in note 26 to the Consolidated Financial Statements.

Directors' Report

DIRECTORS

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

Executive Directors

Mr. Xie Haiyu *(Chairman)*	(resigned on 8 March 2013)
Mr. Chen Zhenliang *(Chairman)*	(redesignated from Non-executive Director to Executive Director on 1 April 2013)
Mr. Nie Dong	
Mr. Cheung Wai Kuen	
Mr. Pu Xiaodong	(resigned on 29 January 2014)
Mr. Wang Chuanhu	(appointed on 1 April 2014)

Non-executive Directors

Professor Qiu Guanzhou	
Mr. Li Xianghong	(appointed on 13 March 2013 and resigned on 1 April 2014)
Dr. Shi Hao, Simon	(appointed on 1 April 2014)

Independent Non-executive Directors

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

In accordance with the provisions of the Company's articles of association, Mr. Cheung Wai Kuen, Mr. Chen Zhenliang, Mr. Chi Chi Hung, Kenneth, Mr. Wang Chuanhu and Dr. Shi Hao, Simon will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Nie Dong, Mr. Chen Zhenliang, Mr. Cheung Wai Kuen, Professor Qui Guanzhou, Mr. Wang Chuanhu and Dr. Shi Hao, Simon, have entered into a service contract with the Company for a term of 1 year commencing from 1 January 2014, 1 April 2014, 4 December 2013, 10 August 2013, 1 April 2014 and 1 April 2014 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. Chen Zhenliang waived the director's salary of approximately HK$555,480 for the year ended 31 December 2013.

Mr. Gao Dezhu, Mr. Kang Yi and Mr. Chi Chi Hung, Kenneth have renewed their service contracts with the Company for a term of one year commencing on 30 August 2013, 30 August 2013 and 12 October 2013 respectively.

Save as disclosed, no Director proposed for re-election at the forthcoming annual general meeting of the Company 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' Report

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

As at 31 December 2013, 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 in the Listing Rules.

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

Save as disclosed below, 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. The register required to be kept under section 336 of the SFO shows that as at 31 December 2013, the following persons/entitites has interest and/or short position in the shares or underlying shares of the Company:

Long position in Shares

Substantial Shareholder	Capacity	Number of ordinary shares held	Long Position	Short Position
Xie Haiyu (Note 1)	Personal	994,610,000	19.39%	8.69%
Tai Chung Suen (Note 1)	Personal	446,000,000	8.69%	–
Munsun Assets Management Limited (Note 2)	Investment Manager	1,531,690,000	29.86%	–
Munsun Umbrella Trust-Munsun Stable Growth Fund (of which TMF (Cayman) Ltd. acts as Trustee) ("Munsun Umbrella")	Trustee	851,760,000	16.60%	–

Note:

1. Mr. Tai Chung Suen has a put and call option to acquire from Mr. Xie Haiyu a maximum amount of 446,000,000 Shares within 12 months from the date of the memorandum dated 13 April 2013. Such option has been cancelled on 13 March 2014.

2. Munsun Assets Management Ltd., was the general partner and investment manager of Munsun Global Mining Investment Fund LP ("Munsun Fund I") and Munsun Global Mining Investment Fund LP II ("Munsun Fund II"). Munsun Fund I and Munsun Fund II held 32,390,000 Shares and 639,180,000 Shares respectively. In addition, Munsun Assets Management Ltd. also acted as the general partner and investment manager of Munsun Umbrella Trust-Munsun Stable Growth Fund, Munsun China Opportunity Investment Fund, Munsun China Select Fund and Munsun Absolute Fund, which were respectively interested in 851,760,000 Shares, 7,140,000 Shares, 640,000 Shares and 580,000 Shares. Mr. Li Xiang Hong holds 31.62% interest in Munsun Assets Management Ltd. Wright Source Limited, a company wholly-owned by Mr. Cheung Wai Kuen, holds 28.35% interest in Munsun Fund I, in which holds 100% interest in Munsun Fund II.

Directors' Report

DIRECTORS' INTEREST AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

None of the Directors or controlling shareholders of the Company had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries was a party during the year ended 31 December 2013.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2013 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 ended 31 December 2013, none of the Directors, 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 ended 31 December 2013 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 issued share capital) have an interest in any of the Group's top five largest customers or suppliers.

CONTINUING CONNECTED TRANSACTIONS

Tin concentrates supply

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

Directors' Report

On 31 January 2013, YTPAH and YT TDK entered into a new tin supply agreement in respect of the sale and purchased of tin concentrates (the "New Tin Supply Contract") for the period from 1 February 2013 to 31 January 2016. The annual caps for the transactions contemplated under the New Tin Supply Contract are approximately HK$590 million for the 11 months ending 31 December 2013, HK$810 million for the year ending 31 December 2014, HK$1,020 million for the year ending 31 December 2015 and HK$80 million for the month of January 2016. The price of tin concentrates per dry metric ton was agreed by the parties to the New Tin Supply Contract after taking into account that (i) the LME cash settlement average price of tin metal; (ii) the treatment charge per dry metric ton; (iii) deduction based on the final tin content; and (iv) penalty for impurity. It was agreed that the YT TDK pays 85% of the provisional value of each lot within three working days after the YT TDK receives all shipment documents and the remaining part will be settled within 10 working days after the final analysis and weights of tin concentrates confirmed by both YTPAH and YT TDK. Shareholders' approval regarding the New Tin Supply Contract was sought by the Company in the extraordinary general meeting held on 9 April 2013.

The Independent Non-executive Directors have reviewed and confirmed that the continuing connected transactions contemplated under the New Tin Supply Contract 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 2013 as set out in the announcements of the Company dated 31 January 2013 and 5 February 2013 for the New Tin Supply Contract. 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 37 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 will be decided by the Board based on the recommendation of the remuneration committee of the Company 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 ended 31 December 2013.

Directors' Report

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 36 to the Consolidated Financial Statements.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, except the deviation disclosed in the section headed Corporate Governance Report, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to Listing Rules during the year ended 31 December 2013.

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, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

The audit committee of the Company 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.

The Group's consolidated financial statements for the year ended 31 December 2013 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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 2013 and as at the latest practicable date prior to the issue of this report (i.e 28 March 2014).

EVENTS AFTER THE REPORTING PERIOD

There are no significant events occurring after the reporting period.

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 100.

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
Executive Director
28 March 2014

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF L'SEA RESOURCES 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 (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 99, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013 and of the Group's profit 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 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	6	**446,650**	399,261
Cost of sales		**(471,861)**	(463,621)
Gross loss		**(25,211)**	(64,360)
Interest income		**1,363**	1,949
Other income		**–**	86
Administrative expenses		**(39,294)**	(43,672)
Other expenses	8	**(10,355)**	(20,191)
Other gains and losses	9	**165,121**	(124,545)
Finance costs	10	**(39,429)**	(83,129)
Profit (loss) before taxation		**52,195**	(333,862)
Taxation credit	12	**7,016**	70,401
Profit (loss) for the year	13	**59,211**	(263,461)
Other comprehensive (expense) income for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(59,385)**	8,920
Total comprehensive expense for the year		**(174)**	(254,541)
Profit (loss) for the year attributable to:			
Owners of the Company		**80,266**	(236,820)
Non-controlling interests		**(21,055)**	(26,641)
		59,211	(263,461)
Total comprehensive income (expense) attributable to:			
Owners of the Company		**22,203**	(228,450)
Non-controlling interests		**(22,377)**	(26,091)
		(174)	(254,541)
Earnings (loss) per share	14		
Basic and diluted (HK cents)		**1.67**	(8.22)

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	15	**223,256**	272,499
Mining rights	16	**67,940**	113,446
Exploration and evaluation assets	17	**246,586**	298,379
Deposits	18	**14,184**	16,571
		551,966	700,895
Current assets			
Inventories	19	**16,069**	18,511
Trade receivables	20	**36,488**	46,184
Other receivables, prepayments and deposits		**12,310**	49,124
Held-for-trading investments	21	**24,464**	19,105
Deposits paid for repurchase of convertible bonds	28	**–**	150,000
Tax recoverable		**–**	4,134
Bank balances and cash	22	**122,169**	50,654
		211,500	337,712
Current liabilities			
Trade payables	23	**36,355**	37,475
Other payables and accruals	24	**96,131**	113,257
Amount due to a non-controlling shareholder of a subsidiary	26	**4,658**	9,624
Amount due to a joint venturer	25	**–**	18,087
Amount due to a related company	26	**1,186**	461
Loan from a related company	26	**–**	10,694
Loan from a director	26	**–**	152,736
Obligations under finance leases	27	**456**	14,982
Convertible bonds	28	**–**	328,483
		138,786	685,799
Net current assets (liabilities)		**72,714**	(348,087)
Total assets less current liabilities		**624,680**	352,808

Consolidated Statement of Financial Position

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Capital and reserves			
Share capital	29	**25,650**	14,400
Reserves		**451,189**	153,741
Equity attributable to owners of the Company		**476,839**	168,141
Non-controlling interests		**(404)**	20,693
Total equity		**476,435**	188,834
Non-current liabilities			
Obligations under finance leases	27	**571**	27,486
Convertible bonds	28	**123,108**	99,904
Deferred taxation	30	**9,873**	19,048
Provision for rehabilitation	31	**14,693**	17,536
		148,245	163,974
		624,680	352,808

The consolidated financial statements on pages 39 to 99 were approved and authorised for issue by the Board of Directors on 28 March 2014 and are signed on its behalf by:

CHEN Zhenliang
DIRECTOR

NIE Dong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000 (note)	Other reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	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)
Repurchase of convertible bonds (note 28)	–	–	–	–	–	(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
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**80,266**	**80,266**	**(21,055)**	**59,211**
Exchange difference arising on translation to presentation currency	**–**	**–**	**(58,063)**	**–**	**–**	**–**	**–**	**(58,063)**	**(1,322)**	**(59,385)**
Total comprehensive (expense) income for the year	**–**	**–**	**(58,063)**	**–**	**–**	**–**	**80,266**	**22,203**	**(22,377)**	**(174)**
Issue of shares	**11,250**	**438,750**	**–**	**–**	**–**	**–**	**–**	**450,000**	**–**	**450,000**
Transaction costs attributable to issue of shares	**–**	**(5,412)**	**–**	**–**	**–**	**–**	**–**	**(5,412)**	**–**	**(5,412)**
Acquisition of additional interest of a subsidiary	**–**	**–**	**–**	**–**	**(1,280)**	**–**	**–**	**(1,280)**	**1,280**	**–**
Repurchase of convertible bonds (note 28)	**–**	**–**	**–**	**–**	**–**	**(432,817)**	**276,004**	**(156,813)**	**–**	**(156,813)**
At 31 December 2013	**25,650**	**822,927**	**(42,029)**	**7,800**	**(1,280)**	**133,262**	**(469,491)**	**476,839**	**(404)**	**476,435**

Note: 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit (loss) before taxation	**52,195**	(333,862)
Adjustments for:		
Interest income	**(1,363)**	(1,949)
Interest expense	**39,429**	83,129
(Gain) loss on disposal of property, plant and equipment	**(2,621)**	8,778
Fair value change of derivative financial instruments	**–**	93,340
Fair value change of financial liabilities at fair value through profit or loss ("FVTPL")	**–**	(20,400)
Impairment loss recognised in respect of other receivables	**29,071**	–
Amortisation of mining rights	**44,927**	71,510
Impairment loss recognised on exploration and evaluation assets	**–**	40,162
Depreciation of property, plant and equipment	**86,133**	75,558
Gain on repurchase of convertible bonds	**(192,894)**	–
Adjustment on provision for rehabilitation cost	**(458)**	(1,000)
Exchange loss arising on repurchase of convertible bonds	**17,360**	–
Operating cash flows before movements in working capital	**71,779**	15,266
Decrease in deposits	**1,291**	–
Decrease (increase) in inventories	**1,218**	(258)
Decrease (increase) in trade receivables	**6,642**	(19,553)
Decrease (increase) in other receivables, prepayments and deposits	**6,498**	(2,547)
Increase in held-for-trading investments	**(5,359)**	(531)
Increase (decrease) in trade payables	**1,358**	(2,175)
(Decrease) increase in other payables and accruals	**(1,688)**	7,316
Cash generated from (used in) operations	**81,739**	(2,482)
Income taxes refunded (paid)	**4,134**	(24,665)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**85,873**	(27,147)
INVESTING ACTIVITIES		
Interest received	**1,363**	1,949
Purchase of property, plant and equipment	**(94,283)**	(68,785)
Proceeds from disposal of property, plant and equipment	**41,583**	3,091
Exploration and evaluation expenditure incurred	**(14,622)**	(20,132)
Addition to mining rights	**(7,538)**	(7,366)
Settlement on receivables on disposal of subsidiaries	**–**	41,530
NET CASH USED IN INVESTING ACTIVITIES	**(73,497)**	(49,713)

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
FINANCING ACTIVITIES		
Payment of repurchase of convertible bonds	**(150,000)**	(17,100)
Deposit paid for repurchase of convertible bonds	**–**	(150,000)
Interest paid	**(8,514)**	(6,682)
Repayment of obligations under finance leases	**(38,633)**	(14,740)
Issue of shares	**360,800**	–
Transaction costs attributable for issue of shares	**(5,412)**	–
(Repayment to) advance from non-controlling interests of a subsidiary	**(4,966)**	8,550
Advance from a related company	**725**	377
(Repayment to) loan from a related company	**(10,694)**	10,694
(Repayment to) advance from a joint venturer	**(18,087)**	18,087
(Repayment to) loan from a director	**(63,536)**	151,368
NET CASH FROM FINANCING ACTIVITIES	**61,683**	554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**74,059**	(76,306)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,544)**	877
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**50,654**	126,083
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by Bank balances and cash	**122,169**	50,654

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. GENERAL

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

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

The Company's functional currency is Australian Dollars ("AUD"). The consolidated financial statements are presented in HK$ as the directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

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

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

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

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

HKFRS 13 Fair value measurement

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

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

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

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

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

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

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

Impact of the application of HKFRS 11

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

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

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

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

Impact of the application of HKFRS 12

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

Except as described above, the application of the other new or revised HKFRSs in the current financial information period has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

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

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
HKFRS 9	Financial instruments[3]
Amendments to HKAS 19	Defined benefit plans: employees contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
Amendments to HKFRSs	Annual improvement to HKFRSs 2010 – 2012 cycle[4]
Amendments to HKFRSs	Annual improvement to HKFRSs 2011 – 2013 cycle[2]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for accounting periods beginning on or after 1 January 2014.

2 Effective for accounting periods beginning on or after 1 July 2014.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for accounting periods beginning on or after 1 July 2014, with limited exceptions.

HKFRS 9 Financial instruments

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the Group's ownership interests in existing subsidiaries

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

Interests in joint operations

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

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

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

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

Interests in joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is 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 joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), 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 the joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Interests in joint venture *(continued)*

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee 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 and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 joint venture. When necessary, the entire carrying amount of investment (include 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 of disposal) 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.

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 titles 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 depreciated using the unit of 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.

3. 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 viability 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing *(continued)*

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.

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 subsidiary which is not foreign operation, all of the exchange differences accumulated in equity in respect of that subsidiary attributable to the owners of the Company are transferred to accumulated losses.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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 profit or loss and other 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.

3. 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 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.

Financial assets

The Group's financial assets are classified into investments 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

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
- on initial recognition 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, refundable deposits 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Convertible bonds contains liability and equity components (continued)

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 or at the repurchase 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, repurchase 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 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.

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 FVTPL 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, loans from a director and a related company and convertible bonds are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

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.

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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, 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 9 years (2012: 6 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of 3 years (2012: 4 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 mining subsidiary 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 2013, the carrying amount of provision for rehabilitation cost is approximately HK$14,693,000 (2012: HK$17,536,000).

Impairment of mining related property, plant and equipment, mining rights and exploration and evaluation assets

Determining whether mining related property, plant and equipment, 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 exploration and evaluation assets of HK$40,162,000 were recognised to profit and loss. No impairment losses are recognised for the year ended 31 December 2013. As at 31 December 2013, the carrying amounts of mining related property, plant and equipment, mining rights and exploration and evaluation assets were approximately HK$215,000,000 (2012:HK$263,590,000), HK$67,940,000 (2012:HK$113,446,000) and HK$246,586,000 (2012:HK$298,379,000), respectively. Details of impairment assessment is disclosed in note 16.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**179,306**	154,825
Held-for-trading investments	**24,464**	19,105
Financial liabilities		
Amortised cost	**261,438**	770,721

(b) Financial risk management objective and policies

The Group's major financial instruments include trade receivables, other receivables, refundable deposits, held-for-trading investments, bank balances, trade payables, other payables and accruals, amount due to a non-controlling shareholder of a subsidiary, amount due to a related company, loans from a director and a related company, amount due to a joint venturer and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the polices 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 for both years. Details of the change in exposure to respective risks are disclosed below.

Market risk

Currency risk

Certain subsidiaries of the Company have 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	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
United States Dollars ("USD")	**36,500**	46,184	**–**	423
Renminbi ("RMB")	**471**	456	**82**	327
HK$	**7,189**	2,306	**123,277**	596,029

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

Market risk *(continued)*

Currency risk (continued)

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 an increase (decrease) in profit (2012: 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.

(Decrease) increase in post-tax profit for the year

	2013 **HK$'000**
HK$ impact	**(5,804)**
RMB impact	**19**
USD impact	**1,825**

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

	2012 HK$'000
HK$ impact	(29,686)
RMB impact	6
USD impact	2,288

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.

5. 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 obligations under finance leases and convertible bonds liability as at 31 December 2013 and 2012, 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 26, 27 and 28 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 profit (2012: post-tax loss) for the year would increase/decrease (2012: decrease/increase) by approximately HK$244,000 (2012: HK$101,000).

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 analysis on held-for-trading investments during the year ended 31 December 2013 has 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 profit (2012: post-tax loss) for the year would increase/decrease (2012: decrease/increase) approximately by HK$7,339,000 (2012: HK$5,732,000) as a result of the changes in fair value of held-for-trading investments.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

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 the 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.

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 a customer of sales of tin concentrate, Yunnan Tin Australia TDK Resources Pty Limited ("YTATR") which are tin refining and processing company located in Australia. Also, the Group has concentration of credit risk on a customer of sales of copper concentrate, Yuntinic (Hong Kong) Resources Company Limited ("Yuntinic"). Both YTATR and Yuntinic are subsidiaries of 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.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

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

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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table is 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.

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
2013						
Trade payables	–	36,355	–	–	36,355	36,355
Other payables and accruals	–	96,131	–	–	96,131	96,131
Obligations under finance leases	5.9	126	379	587	1,092	1,027
Amount due to a non-controlling shareholder of a subsidiary	6	4,658	–	–	4,658	4,658
Amount due to a related company	–	1,186	–	–	1,186	1,186
Convertible bonds	20.12	–	–	193,500	193,500	123,108
		138,456	379	194,087	332,922	262,465

5. 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
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	9,624	–	–	9,624	9,624
Amount due to a joint venturer	–	18,087	–	–	18,087	18,087
Amount due to a related company	6	461	–	–	461	461
Loan from a related company		10,694	–	–	10,694	10,694
Loan from a director	3	154,104	–	–	154,104	152,736
Convertible bonds (note)	20.12	300,000	–	193,500	493,500	428,387
		648,062	13,078	223,318	884,458	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 28.

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair values at 31.12.2013	Fair values at 31.12.2012	Fair value hierarchy	Valuation technique(s) and key input(s)
Held-for-trading investments	HK$24,464,000	HK$19,105,000	Level 1	Quoted bid prices in an active market

There were no transfers between Level 1 and 2 during both years.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Fair value measurements of financial instruments *(continued)*

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The chief financial officer of the Company is responsible to determine the appropriate valuation techniques and inputs for fair value measurements. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engaged third party qualified valuers to perform the valuation. The chief financial officer works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Chief financial officer reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Reconciliation of Level 3 fair value measurements of financial assets

	Call Option HK$'000	**Financial liabilities at FVTPL** HK$'000
At 1 January 2012	92,244	(20,400)
(Loss) gain recognised in profit or loss	(93,340)	20,400
Exchange differences	1,096	–
At 31 December 2012 and 31 December 2013	–	–

Fair value gains or losses on Call Option (as defined in note 9) and financial liabilities at FVTPL are included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

5. FINANCIAL INSTRUMENTS *(CONTINUED)*

(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 28, loan from a director and amounts due to related companies as disclosed in note 26 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.

6. 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.

7. SEGMENT INFORMATION

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

Segment revenue, results, assets and liabilities are therefore the same as the amounts presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position. Accordingly, the comparatives of segment information have been re-presented.

Revenue from major products

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

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

7. SEGMENT INFORMATION *(CONTINUED)*

Geographical information

The Group's mining operations are located in Australia.

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

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

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

Information about major customers

	2013 **HK$'000**	2012 HK$'000
YTATR	**446,650**	387,128
Yuntinic	**–**	12,133
	446,650	399,261

8. OTHER EXPENSES

The amount comprises legal and professional fees of HK$10,350,000 (2012: HK$19,839,000) for both years.

9. OTHER GAINS AND LOSSES

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

9. OTHER GAINS AND LOSSES *(CONTINUED)*

Notes:

(a) In previous years, Gallop Pioneer Limited ("GPL"), the wholly-owned subsidiary of the Company, acquired entire equity interests in Parksong Mining Recycling and Resource Limited ("Parksong"). Before the completion of this acquisition, YTPAH, 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 the JV Projects. Pursuant to the JV Agreement, BMT has granted the call option ("Call Option") to YTPAH to purchase from BMT a further 10% interest in the JV Projects and YTPAH has granted the put option ("Put Option") to BMT that BMT can require YTPAH to purchase a further 10% interest in the JV Projects exercisable from 19 March 2010 to 18 March 2012. On 16 March 2012, YTPAH sent a notice to BMT purporting to exercise the Call Option. BMT considered that the Call Option was previously relinquished by YTPAH and the purported notice to exercise the Call Option is not served by BMT. The exercisable right of Call Option was then expired on 18 March 2012. 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 and the Group recognised fair value loss on Call Option of HK$93,340,000. Once the Group successfully obtained 10% interest in JV Projects from BMT, the fair value of 10% interest in JV Projects will be reassessed.

(b) As set out above, the Call Option was expired on 18 March 2012 and thus the conditions required for issuing additional convertible bonds in relation to the acquisition of Parksong 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 and fair value change of HK$20,400,000 is recognised to profit or loss.

10. FINANCE COSTS

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

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

Directors' and chief executive's emoluments

The emoluments paid or payable to each of the fourteen (2012: ten) Directors were as follows:

	Xie Haiyu HK$'000 (note (viii))	Cheung Wai Kuen HK$'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))	Li Xianghong HK$'000 (note (ix))	Chi Chi Hung Kenneth HK$'000 (note (i))	Gao Dezhu HK$'000 (note (iv))	Kang Yi HK$'000 (note (iv))	Total HK$'000
For the year ended 31 December 2013											
Fees	–	–	–	960	810	180	–	180	180	180	2,490
Other emoluments:											
Salaries, allowances and benefits in kind	–	–	–	1,307	17	–	–	–	–	–	1,324
Contributions to retirement benefit scheme	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	–	2,267	827	180	–	180	180	180	3,814

	Xie Haiyu HK$'000 (note (viii))	Leung Kai Wing HK$'000 (note (viii))	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
Total emoluments	–	–	–	–	–	–	71	1,357	68	68	102	40	58	58	1,822

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Directors' and chief executive's emoluments *(continued)*

Notes:

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

(ii) Mr. Poon Fuk Chuen was resigned on 6 September 2012.

(iii) Mr. Zhong Wei Guang and Mr. Liu Feng were 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 was resigned on 3 September 2012.

(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 but resigned as Chief Executive on 8 March 2013. Mr. Pu Xiaodong was resigned as director on 29 January 2014. Mr. Nie Dong was appointed as the Chief Executive of the Company on 8 March 2013 and his emoluments disclosed above include those services rendered by him as Chief Executive.

(vii) Mr. Leung Kai Wing was resigned as director on 18 January 2012. Mr. Leung Kai Wing is also the Chief Executive of the Company before his resignation.

(viii) Mr. Xie Haiyu was resigned on 8 March 2013.

(ix) Mr. Li Xianghong was appointed on 8 March 2013.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2012: one) were Directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2012: four) individuals were as follows:

	2013 **HK$'000**	2012 HK$'000
Salaries, allowances and benefits in kind	**2,360**	3,505
Contributions to retirement benefit scheme	**31**	44
	2,391	3,549

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

Employees' emoluments *(continued)*

The emolument of the remaining three (2012: four) individuals for the year was within the following bands:

	2013 No. of employees	2012 No. of employees
Nil to HK$1,000,000	**1**	3
HK$1,000,001 to HK$1,500,000	**2**	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.

12. TAXATION CREDIT

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

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

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

Under Australian tax law, the tax rate used for the year is 30% (2012: 30%) on taxable profits on Australian incorporated entities.

The taxation credit for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Profit (loss) before taxation	**52,195**	(333,862)
Tax at Australia Profits Tax rate of 30% (2012: 30%)	**(15,659)**	100,159
Tax effect of expenses not deductible for tax purpose	**(23,901)**	(34,950)
Tax effect of income not taxable for tax purpose	**54,780**	9,054
Tax effect of tax losses not recognised	**(8,204)**	(3,862)
Taxation credit for the year	**7,016**	70,401

13. PROFIT (LOSS) FOR THE YEAR

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

14. EARNINGS (LOSS) PER SHARE

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

	2013 **HK$'000**	2012 HK$'000
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share:		
Profit (loss) for the period attributable to owners of the Company	**80,266**	(236,820)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**4,809,452,055**	2,880,000,000

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

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

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

15. 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$'000	Total HK$'000
COST								
At 1 January 2012	**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**
Exchange adjustments	**(6,102)**	**(28,765)**	**–**	**(1,508)**	**–**	**(29,136)**	**(247)**	**(65,758)**
Additions	**–**	**76,935**	**1,246**	**15,134**	**69**	**173**	**726**	**94,283**
Disposal	**–**	**–**	**–**	**–**	**–**	**(61,960)**	**(488)**	**(62,448)**
Transfer	**–**	**–**	**–**	**(17,533)**	**–**	**17,201**	**332**	**–**
Transfer from exploration and evaluation assets	**–**	**18,653**	**–**	**–**	**–**	**–**	**–**	**18,653**
At 31 December 2013	**36,651**	**211,083**	**5,635**	**7,543**	**3,878**	**156,084**	**8,705**	**429,579**
DEPRECIATION AND IMPAIRMENT								
At 1 January 2012	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
Exchange adjustments	(656)	(17,205)	–	–	–	(10,704)	(109)	(28,674)
Provided for the year	1,419	49,575	496	–	776	32,682	1,185	86,133
Eliminated on disposal	–	–	–	–	–	(23,429)	(57)	(23,486)
At 31 December 2013	4,499	123,067	4,671	–	2,712	68,795	2,579	206,323
CARRYING VALUES								
At 31 December 2013	32,152	88,016	964	7,543	1,166	87,289	6,126	223,256
At 31 December 2012	39,017	53,563	214	11,450	1,873	159,560	6,822	272,499

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%

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15. PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

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 2013 is 16.04% (2012: 14.05%).

As at 31 December 2013, the net book value of property, plant and equipment included an amount of approximately HK$1,198,000 (2012: HK$49,871,000) in respect of assets held under finance leases. Such property, plant and equipment had been pledged to secure the finance leases being granted.

16. MINING RIGHTS

	HK$'000
COST	
At 1 January 2012	472,438
Additions	7,366
Transfer from exploration and evaluation assets	17,303
Exchange adjustment	5,994
At 31 December 2012	503,101
Additions	7,538
Transfer from exploration and evaluation assets	5,572
Exchange adjustment	(73,583)
At 31 December 2013	442,628
AMORTISATION AND IMPAIRMENT	
At 1 January 2012	314,118
Amortisation for the year	71,510
Exchange adjustment	4,027
At 31 December 2012	389,655
Amortisation for the year	44,927
Exchange adjustment	(59,894)
At 31 December 2013	374,688
CARRYING VALUES	
At 31 December 2013	67,940
At 31 December 2012	113,446

The mining rights represented the rights to conduct mining activities in Australia and have granted for the terms of 3 years (2012: 4 years) in relation to Renison underground mine at 31 December 2013 and 2012. In the opinion of the Directors, the Group will be able to continuously renew the mining rights with relevant government authorities without significant costs.

16. MINING RIGHTS *(CONTINUED)*

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$67,940,000 (2012: HK$113,446,000), exploration and evaluation asset of HK$246,586,000 (2012: HK$298,379,000) and buildings, construction in progress, mining structures and mining related plant, machinery and equipment of HK$215,000,000 (2012: HK$263,590,000) have been allocated to the 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 16.4% (2012: 15.7%) 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 production capacity. Other key assumptions provided by management for the value in use calculation include future tin price, production rate and gross margin.

During the year ended 31 December 2013 and 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 the CGU of the underground mine except for certain exploration and evaluation assets in relation to an open-pit mine area. Details are disclosed in note 17.

17. EXPLORATION AND EVALUATION ASSETS

	HK$'000
CARRYING AMOUNT	
At 1 January 2012	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
Additions	14,622
Transfer to mining rights	(5,572)
Transfer to property, plant and equipment	(18,653)
Exchange adjustment	(42,190)
At 31 December 2013	246,586

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 open-pit mine currently remains 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.

18. DEPOSITS

Deposits with the carrying amount of HK$14,184,000 (2012: HK$16,571,000) as at 31 December 2013 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.

19. INVENTORIES

	2013 HK$'000	2012 HK$'000
Ore stocks	**396**	149
Work-in-progress	**492**	909
Tin in circuit	**399**	1,166
Copper concentrate	**779**	494
Spare parts	**12,711**	15,123
Others	**1,292**	670
	16,069	18,511

20. TRADE RECEIVABLES

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

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

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

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. There is concentration of credit risk on a customer (2012: two customers). Trade receivables that are neither past due nor impaired are those debtors with satisfactory credit quality under the management's assessment and with good past repayment record. The directors also believe that there is no impairment required in excess of the allowance for bad and doubtful debts.

20. TRADE RECEIVABLES *(CONTINUED)*

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

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

21. HELD-FOR-TRADING INVESTMENTS

	2013 HK$'000	2012 HK$'000
Equity securities listed in Hong Kong	**24,464**	19,105

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

22. BANK BALANCES

Bank balances comprise of bank deposits held by the Group with an original maturity of three months or less. The bank balances carried effective interest rates ranging from 0.01% to 2.8% (2012: 0.1% to 3.0%) 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:

	2013 HK$'000	2012 HK$'000
USD	**12**	31
HK$	**2,891**	–

23. TRADE PAYABLES

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

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

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

24. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2013 **HK$'000**	2012 HK$'000
Net payables to the Vendor (note)	**84,977**	99,282
Accruals and other payables	**11,154**	13,975
	96,131	113,257

Note: Pursuant to the sale and purchase agreement dated 13 July 2010 ("Parksong S&P Agreement") in relation to the acquisition of Parksong signed between GPL, a wholly owned subsidiary of the Group, and Mr. Chan Kon Fung as the vendor ("Vendor"), as at 4 March 2011 ("the Date of Completion"), all payables of Parksong and its subsidiaries other than the joint operations are borne by the Vendor and all receivables of Parksong and its subsidiaries other than the joint operations 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 the joint operations 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 35.

25. AMOUNT DUE TO A JOINT VENTURER

As at 31 December 2012, the amount is unsecured, interest-free and repayable on demand.

26. AMOUNT DUE TO 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 which is unsecured, interest bearing at 6% per annum. The remaining amount of HK$461,000 is unsecured, interest-free and are repayable on demand.

As at 31 December 2013, amount due to related companies is unsecured, interest-free and repayable on demand.

As at 31 December 2012, loan from a director is unsecured, interest bearing at 3% per annum and matured in January 2013.

27. OBLIGATIONS UNDER FINANCE LEASES

	2013 HK$'000	2012 HK$'000
Analysed for reporting purpose as:		
Current liabilities	**456**	14,982
Non-current liabilities	**571**	27,486
	1,027	42,468

Certain machineries of the JV Projects are under finance leases. The lease term is 3 years (2012: average of 3 years). Interest rates underlying all obligations under finance leases are fixed at 5.9% (2012: range from 5.9% to 17%).

	Minimum lease payments		Present value of minimum lease payments	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts payable under finance leases				
Within one year	**505**	17,438	**456**	14,982
In more than one year but not more than two years	**587**	23,803	**571**	21,723
In more than two years but not more than five years	**–**	6,015	**–**	5,763
	1,092	47,256	**1,027**	42,468
Less: Future finance charges	**(65)**	(4,788)	**N/A**	N/A
Present value of lease obligations	**1,027**	42,468	**1,027**	42,468
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(456)**	(14,982)
Amount due for settlement after 12 months			**571**	27,486

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

28. CONVERTIBLE BONDS

Pursuant to 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$773,500,000 with maturity of five years (the "Convertible Bonds"). The Convertible Bonds were denominated in HK$ 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 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 and equity component of the Convertible Bonds are set out as below:

	Equity component HK$'000	**Liability component** HK$'000	**Total** HK$'000
As at 1 January 2012	577,214	361,026	938,240
Interest charge	–	75,543	75,543
Repurchase	(11,135)	(8,182)	(19,317)
As at 31 December 2012	566,079	428,387	994,466
Interest charge	–	30,802	30,802
Repurchase	(432,817)	(336,081)	(768,898)
Exchange loss recognised in profit or loss	–	17,360	17,360
Exchange adjustment to presentation currency	–	(17,360)	(17,360)
As at 31 December 2013	133,262	123,108	256,370

As set out in note 35, 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. Accordingly, liability component of Convertible Bonds is reduced by HK$8,182,000 and an amount of 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. 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 as at 31 December 2012.

On 5 March 2013, the Company settled the last instalment and completed the repurchase of Convertible Bonds with principal amount of HK$580,000,000 from the bondholders. The payment of consideration of HK$300,000,000 is allocated to liability component of HK$104,644,000, based on the market rate at date of repurchase established at initial recognition, and equity component of HK$195,356,000 at the date of the repurchase. The difference between the allocated consideration to liability component of HK$143,187,000 and the carrying amount of the liability component of HK$336,081,000, which is HK$192,894,000, is recognised in profit or loss. The difference between the allocated consideration to equity component of HK$156,813,000 and the carrying amount of the equity component of HK$432,817,000, which is HK$276,004,000, is transferred to accumulated losses.

29. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2012, 31 December 2012 and 31 December 2013	20,000,000,000	100,000
Issued:		
At 1 January 2012 and 31 December 2012	2,880,000,000	14,400
Issue of shares upon placement (note a)	1,804,000,000	9,020
Issue of shares upon loan capitalisation (note b)	446,000,000	2,230
At 31 December 2013	5,130,000,000	25,650

Notes:

(a) On 22 February 2013, the Company completed the placing of 1,804,000,000 shares at a placing price of HK$0.2 per share.

(b) On 27 September 2012, the Company entered into a loan capitalisation agreement with Mr. Xie Haiyu ("Mr. Xie"), who was a Director of the Company and resigned on 8 March 2013, 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.

All the shares issued during the year ended 31 December 2013 rank pari passu in all respects with the other shares in issue.

30. 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 joint operation HK$'000	Fair value change in derivative financial instruments HK$'000	Provisions and accrued charges HK$'000	Tax losses HK$'000	Fair value adjustment on mining rights, exploration and evaluation assets and mining structures HK$'000	Total HK$'000
At 1 January 2012	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)
(Charge) credit to profit and loss	(1,800)	–	1,383	1,604	5,829	7,016
Exchanged differences	(351)	–	(1,433)	(4,907)	8,850	2,159
At 31 December 2013	1,320	–	11,524	29,837	(52,554)	(9,873)

As at 31 December 2013, the Group had estimated unused tax losses of approximately HK$212,190,000 (2012: HK$195,853,000) available for offset against future profits. Tax losses of HK$99,457,000 (2012: HK$110,467,000) had been recognised as deferred tax asset at 31 December 2013. No deferred tax asset had been recognised in respect of the remaining tax losses of HK$112,733,000 (2012: HK$85,386,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

31. PROVISION FOR REHABILITATION

	HK$'000
At 1 January 2012	17,711
Adjustments	(1,000)
Unwinding of discount	602
Exchange adjustment	223
At 31 December 2012	17,536
Adjustments	(458)
Unwinding of discount	113
Exchange adjustment	(2,498)
At 31 December 2013	14,693

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 4.79% as at 31 December 2012 and 2013.

32. JOINT ARRANGEMENTS

Joint operation

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 Renison tailing retreatment projects (hereinafter collectively referred to as the "Mining Assets"). Pursuant to the acquisition agreement between BMT and YTPAH, BMT granted the Call Option to YTPAH and YTPAH granted the Put Options to BMT.

YTPAH and BMT entered into the JV Agreement that an unincorporated joint venture was established by YTPAH and BMT to jointly manage the Mining Assets. According to the JV Agreement, YTPAH and BMT severally owned 50% interests of the Mining Assets. Each of YTPAH 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 YTPAH and BMT is entitled to appoint three representatives to the Management Committee. If YTPAH 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 YTPAH 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, YTPAH 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 joint operation.

32. JOINT ARRANGEMENTS *(CONTINUED)*

Joint operation *(continued)*

The amounts of assets and liabilities as at 31 December 2013 and 2012 and, income and expenses for the year ended 31 December 2013 and 2012 recognised in the consolidated financial statements in relation to the Group's interests in joint operation are as follows:

	2013 HK$'000	2012 HK$'000
Property, plant and equipment	**216,041**	265,393
Mining rights	**67,940**	113,446
Exploration and evaluation assets	**246,586**	298,379
Inventories	**16,069**	18,511
Other receivables and deposits	**6,999**	35,309
Bank balances and cash	**42,358**	39,449
Total assets	**595,993**	770,487
Trade payables	**36,355**	37,475
Obligation under finance leases	**1,027**	42,468
Provisions for rehabilitation	**14,693**	17,536
Total liabilities	**52,075**	97,479
Sales	**446,650**	399,261
Cost of sales	**(471,861)**	(463,621)
Interest income and other income	**1,355**	1,880
Other gains and losses	**20,589**	(41,612)
Finance costs	**(277)**	(674)
Loss before taxation	**(3,544)**	(104,766)

Joint venture

The Company has indirect interests in a joint venture 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		Principal activity
				2012	2011	
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 YTPAH 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 2013 and 2012 and no revenue and expenses incurred during the year ended 31 December 2013 and 2012.

33. 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:

	2013 **HK$'000**	2012 HK$'000
Within one year	**3,350**	2,550
In the second to fifth year inclusive	**3,083**	3,875
	6,433	6,425

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.

34. CAPITAL COMMITMENTS

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

	2013 **HK$'000**	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment of JV Projects	**1,075**	1,345

As at 31 December 2013 and 2012, YTPAH 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.

35. LITIGATIONS

HCA1357/2011

The proceedings involves disputes arisen from the Parksong S&P Agreement dated 13 July 2010 signed between the Vendor, GPL as the purchaser and the Company being GPL's parent company as the guarantor.

On 11 August 2011, the Company and GPL were named as defendants in a writ of summons with a statement of claim filed by the Vendor claiming for, inter alia, a sum of AUD15,143,422.44 (equivalent to approximately HK$104,190,000), 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 AUD25,854,000 and US$2,060,000 (equivalent to HK$193,846,000 in aggregate) against the Vendor on 11 October 2011 (the "Counter-Claim") and as amended on 23 May 2012. The Vendor, 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, the Company and GPL have exchanged their respective witness statements and filed further supplemental lists of documents.

During the year ended 31 December 2013, GPL and the Company have made applications to obtain further evidence from the Vendor including discovery of further document and interrogatories for further information. Expert evidence is also being obtained by the Group. The legal proceedings are now being considered with these additional evidences. GPL has also reviewed the issue on production shortfall. Pursuant to Parksong S&P Agreement, Vendor has given a production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries after the Date of Completion. The actual confirmed production of contained tin in concentrate for the first and second anniversaries were approximately 4,980 and 6,160 tonnes respectively, resulting in respective shortfalls of approximately 1,520 and 340 tonnes.

Pending the outcome of the Claim and the Counter-Claim, as at 31 December 2013, 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$84,977,000 (2012: HK$99,282,000) are disclosed in note 24.

36. 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 2013 and 2012.

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 YTPAH 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 2013, the Group's share of total contributions to the retirement benefit schemes is approximately HK$4,705,000 (2012: HK$5,881,000).

37. RELATED PARTY TRANSACTIONS

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

	2013 **HK$'000**	2012 HK$'000
Sales of copper concentrate to Yuntinic (note)	**–**	12,133
Sales of tin concentrate to YTATR (note)	**446,650**	387,128
Amount due from Yuntinic included in trade receivables	**–**	8,062
Amount due from YTATR included in trade receivables	**36,488**	38,122
Interest paid to a non-controlling shareholder of a subsidiary	**420**	1,066
Interest paid to a director	**702**	1,368
Interest paid to a related company	**411**	84

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 20, 25 and 26 respectively.

Compensation of key management personnel

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

	2013 **HK$'000**	2012 HK$'000
Short-term benefits	**4,874**	2,632
Contributions to retirement benefit scheme	**31**	21
	4,905	2,653

38. SHARE OPTION SCHEME

The Company's share option scheme ("Share Option Scheme") was approved and adopted by the written resolutions of the shareholders 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 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.

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.

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

39. MAJOR NON-CASH TRANSACTIONS

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

On 22 February 2013, the Company issued 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. Details are set out in note 29(b).

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2013 **HK$'000**	2012 HK$'000
Non-current assets		
Investments in subsidiaries	**501,053**	576,310
Amounts due from subsidiaries	**208,205**	5,015
	709,258	581,325
Current assets		
Other receivables and payables	**2,632**	2,306
Deposit paid for repurchase of Convertible Bonds	**–**	150,000
Bank balances	**63,162**	–
	65,794	152,306
Current liabilities		
Other payables and accruals	**3,416**	6,114
Loan from a director	**–**	1,368
Convertible bonds	**–**	328,483
	3,416	335,965
Net current assets (liabilities)	**62,378**	(183,659)
	771,636	397,666
Capital and reserves		
Share capital (see note 29)	**25,650**	14,400
Reserves	**622,878**	283,362
Total equity	**648,528**	297,762
Non-current liability		
Convertible bonds	**123,108**	99,904
	771,636	397,666

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2012	14,400	389,589	–	577,214	(509,871)	471,332
Loss and total comprehensive expense for the year	–	–	–	–	(162,435)	(162,435)
Repurchase of Convertible Bonds	–	–	–	(11,135)	–	(11,135)
At 31 December 2012	14,400	389,589	–	566,079	(672,306)	297,762
Profit for the year	–	–	–	–	45,631	45,631
Exchange difference arising on translation to presentation currency	–	–	17,360	–	–	17,360
Total comprehensive income for the year	–	–	17,360	–	45,631	62,991
Issue of shares	11,250	438,750	–	–	–	450,000
Transaction costs attributable to issue of shares	–	(5,412)	–	–	–	(5,412)
Repurchase of Convertible Bonds	–	–	–	(432,817)	276,004	(156,813)
At 31 December 2013	25,650	822,927	17,360	133,262	(350,671)	648,528

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
		2013	2012	**2013**	2012	**2013**	2012	
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$100	**100%**	100%	**–**	–	Investment holding
Goodtop Institute of Tin Research Limited	The BVI	**USD1,000**	USD1,000	**100%**	100%	**–**	–	Inactive
Gold Daihe Limited	Hong Kong	**HK$ 10,000**	HK$ 10,000	**–**	–	**N/A**	100%	Inactive
L'sea Biological Resources Hong Kong Company Limited	Hong Kong	**HK$60**	HK$60	**–**	–	**100%** (note)	60%	Investment holding
L'sea Biological Project (Changsha) Limited	The PRC	**HK$ 5,000,000**	HK$ 5,000,000	**–**	–	**100%** (note)	60%	Inactive
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

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

Name of the subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital		Proportion of ownership interest held by the Company				Principal activities
		2013	2012	Directly		Indirectly		
				2013	2012	2013	2012	
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%**	–	Inactive
Wise Up Investment Limited	Hong Kong	**HK$1,000**	HK$1,000	**–**	–	**100%**	–	Investment holding
Yunnan Tin Hong Kong (Holding) Group Co., Limited ("YTHK")	Hong Kong	**HK$10,000**	HK$10,000	**–**	–	**82%**	82%	Investment holding
YT Parksong Australia Holding Pty Limited	Australia	**AUD1**	AUD1	**–**	–	**82%**	82%	Exploration, development and mining of tin ores in Australia
YT Parksong Australia Management Pty Limited	Australia	**AUD1**	AUD1	**–**	–	**N/A**	82%	Inactive

\# Wholly foreign owned enterprise registered in the PRC.

Note: The Group had further acquired 40% interest in this subsidiary during the year ended 31 December 2013.

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

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

The table below shows details of non-wholly owned subsidiaries of the Group that has material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non–controlling interests	
		2013	2012	**2013**	2012	**2013**	2012
YTHK and its subsidiary	Hong Kong/ Australia	**82%**	82%	**(19,930)**	(26,486)	**(404)**	20,848
Individual immaterial subsidiaries with non-controlling interests				**(1,125)**	(155)	**–**	(155)
				(21,055)	(26,641)	**(404)**	20,693

Summarised financial information for the years ended 31 December 2013 and 2012 in respect of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(CONTINUED)*

YTHK and its subsidiary (YTPAH)

	2013 HK$'000	2012 HK$'000
Non-current assets	**1,940,767**	2,323,489
Current assets	**109,767**	687,846
Non-current liabilities	**(661,839)**	(1,237,317)
Current liabilities	**(1,390,939)**	(1,658,196)
Total equity	**(2,244)**	115,822
Revenue	**466,650**	399,261
Expenses	**(577,372)**	(546,405)
Loss for the year	**(110,722)**	(147,144)
Other comprehensive (expense) income for the year	**(7,344)**	3,056
Total comprehensive expense for the year	**(118,066)**	(144,088)
Loss for the year attributable to		
– the owners of the Company	**(90,792)**	(120,658)
– non-controlling interests of YTHK	**(19,930)**	(26,486)
Loss for the year	**(110,722)**	(147,144)
Other comprehensive (expense) income for the year attributable to		
– the owners of the Company	**(6,022)**	2,506
– non-controlling interests of YTHK	**(1,322)**	550
Other comprehensive (expense) income for the year	**(7,344)**	3,056
Total comprehensive expense for the year attributable to		
– the owners of the Company	**(96,814)**	(118,152)
– non-controlling interests of YTHK	**(21,252)**	(25,936)
Total comprehensive expense for the year	**(118,066)**	(144,088)
Net cash inflow from operating activities	**139,558**	258,923
Net cash outflow from investing activities	**(71,356)**	(90,560)
Net cash outflow from financing activities	**(63,284)**	(212,829)
Net cash inflow (outflow)	**4,918**	(44,466)

Five Years Financial Summary

RESULTS

	Year ended 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Revenue	134,586	207,350	586,912	399,261	**446,650**
(Loss) profit attributable to owners of the Company	(12,738)	(12,756)	(733,490)	(236,820)	**80,266**

ASSETS AND LIABILITIES

	As at 31 December				
	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	210,172	549,972	1,184,133	1,038,607	**763,466**
Total liabilities	57,727	51,690	729,623	849,773	**287,031**
Total equity	152,445	498,282	454,510	188,834	**476,435**