利海資源
L'SEA RESOURCES

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00195)

2014
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. CHEN Zhenliang *(Chairman)*
(resigned on 30 September 2014)
Mr. NIE Dong
Mr. CHEUNG Wai Kuen
Dr. SHI Simon Hao
(appointed as non-executive director on 1 April 2014 and re-designated to executive director on 1 April 2015)
Mr. PU Xiaodong (resigned on 29 January 2014)
Mr. WANG Chuanhu (appointed on 1 April 2014)

Non-executive Directors

Professor QIU Guanzhou (resigned on 31 October 2014)
Mr. LI Xianghong (resigned on 1 April 2014)

Independent Non-executive Directors

Mr. GAO Dezhu (resigned on 5 September 2014)
Mr. KANG Yi (resigned on 5 September 2014)
Mr. CHI Chi Hung, Kenneth
Mr. DENG Shichuan (appointed on 3 December 2014)
Mr. James MUNN (appointed on 3 December 2014)

Company Secretary

Ms. TSE Wun Ying (resigned on 26 September 2014)
Mr. WONG Tak Shing (appointed on 26 September 2014)

Authorised Representatives

Mr. NIE Dong
Ms. TSE Wun Ying (resigned on 26 September 2014)
Mr. WONG Tak Shing (appointed on 26 September 2014)

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

CEO STATEMENT

Dear Shareholders,

On behalf of the Board ("Board") of Directors ("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 2014.

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

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

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

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

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

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

Looking to 2015, due to significant uncertainty of global macro economy, and based on the analysis on the fundamentals of tin metal industry, the following factors may boost tin price in the coming year:

(1) As the Indonesian government has tightened its policies and controls on tin resource export, tin supply shortage will occur. According to the survey by Bloomberg, Indonesian tin export in 2015 is estimated to be 61 kilotonnes, decreasing approximately by 20% from 76 kilotonnes in 2014. The further control on tin supply by Indonesia is expected to affect impact the global tin supply pattern and thus boost tin price.

(2) In the future, the development trends of tin resource such as more difficulties in mining operation, lower grade, and increasing cost, will continue to support the tin price to some extent.

The Renison underground mine jointly owned by the Group and Metals X Limited, has rich resources and reserves. We remain positive on the long-term development of tin mining industry. We will keep enhancing and improving the operation management and production efficiency with our partner so as to bring positive contribution to the Group.

In addition to commitments to the principal business operation in the Renison underground mine, the Group deeply recognizes that the global economic structure is challenged by the new economies leading by internet. On the other hand, the new financial system leading by internet financing also brings new development opportunities to traditional industries. The management will continue exploring and paying attention to various projects in the new economies.

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.

Nie Dong
Executive Director & Chief Executive Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

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

Business Review

The Group's performance has been mainly affected by tin price, AUD exchange rate and production efficiency.

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

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

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

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

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

In November 2014, rock bursts occurred in 1200 and 1240 levels of Federal Deeps area of the South Renison District ("SRD") of the Renison underground mine, which led to a suspension of all blasting activities in the Federal Deeps area. No personal injury and no damage to equipment were caused by such incidents, but all mining activities have been suspended in the SRD. BMTJV has informed the relevant regulators of the incidents and engaged experts to conduct independent assessment on the incidents. All mining activities in the SRD was suspended and the development of the SRD was interrupted until BMTJV has a full understanding on the cause of such incidents and has taken precaution to ensure the safety of the staff in that area if similar incidents occur again in the future.

BMTJV has taken measures to alleviate the impact of production shortfall of SRD, including increasing the output from other areas of the Renison underground mine, and covering the production shortfall of ore resulted from such rock bursts by surface inventory. For the purpose of minimizing the impact of production shortfall in SRD, the production activities of other areas in the Renison underground mine (including Central Federal Bassett, Area 4 and some Upper Federal areas) have been increased. By the end of January 2015, the production of the Renison underground mine has generally returned to the level before rock bursts.

In February 2015, upgrading of the dynamic support in the decline to below the 1200 level of Federal Deeps area of the SRD of the Renison underground mine has been completed and development in the 1220 level of Federal Deeps area of the SRD of the Renison underground mine has been resumed. Rehabilitation of access to said 1200 level is in progress and BMTJV is assessing the requirements to gain access back into the 1240 level of Federal Deeps area of the SRD of the Renison mine.

Prospect

Looking to 2015, due to significant uncertainty of global macro economy, and based on the analysis on the fundamentals of tin metal industry, the following factors may boost tin price in the coming year:

(1) As the Indonesian government has tightened its policies and controls on tin resource export, tin supply shortage will occur. According to the survey by Bloomberg, Indonesian tin export in 2015 is estimated to be 61 kilotonnes, decreasing approximately by 20% from 76 kilotonnes in 2014. The further control on tin supply by Indonesia is expected to affect impact the global tin supply pattern and thus boost tin price.

(2) In the future, the development trends of tin resource such as more difficulties in mining operation, lower grade, and increasing cost, will continue to support the tin price to some extent.

The Renison underground mine jointly owned by the Group and Metals X Limited, has rich resources and reserves. We remain positive on the long-term development of tin mining industry. We will keep enhancing and improving the operation management and production efficiency with our partner so as to bring positive contribution to the Group.

In addition to commitments to the principal business operation in the Renison underground mine, the Group deeply recognizes that the global economic structure is challenged by the new economies leading by internet. On the other hand, the new financial system leading by internet financing also brings new development opportunities to traditional industries. The management will continue exploring and paying attention to various projects in the new economies.

Financial Review

Revenue

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

Cost of sales

Cost of sales includes mainly direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$468,625,000 for the year ended 31 December 2014 (2013: HK$471,861,000), representing 94.2% of the revenue recorded in the corresponding year (2013: 105.6%). The slight decrease in cost of sales was mainly due to the net effect of: (1) the increase in the total production volume during the year ended 31 December 2014; and (2) the benefit from the depreciation of AUD during the year ended 31 December 2014 when compared to last year.

Gross profit (loss)

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

Other gains and losses

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

Administrative expenses

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

Finance costs

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

(Loss) profit for the year

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

Liquidity and Financial Resources

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

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

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

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

Convertible Bonds

Pursuant to the sale and purchase agreement in relation to the sale and purchase of the entire issued share capital of Parksong Mining and Resource Recycling Limited ("Parksong") dated 13 July 2010, part of the consideration was settled by the issuance of convertibles bonds. On the completion date, being 4 March 2011, the Company issued zero-coupon convertible bonds with principal amount of HK$773,500,000 with maturity of five years. Since 6 March 2013, the outstanding convertible bonds reduced to HK$176,400,000.

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

Charges of Assets

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

Contingent Liabilities

As at 31 December 2014, except for the litigations as set out in the litigations section of this report, the Group did not have any significant contingent liabilities.

Capital Commitments

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

Significant Investments

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

Material Acquisition and Disposal

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

Share Option Scheme

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

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

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

Please refer to note 37 to the consolidated financial statements for the particulars of the Scheme.

Employees and Remuneration Policy

As at 31 December 2014, the Group employed approximately 30 employees (2013: 25). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-managed retirement benefit scheme in the People's Republic of China (the "PRC"). The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

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 Mining and Resource Recycling Limited ("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 mine"), (2) the Mount Bischoff open-cut tin project ("Mount Bischoff") and (3) the Renison tailings retreatment project ("Rentails").

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

Drilling/Informing Data

The bulk of the data used in resource estimations at the Renison underground mine 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 the Renison underground mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m.

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

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

Sampling/Assaying

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

Samples are dried at 90°C, then crushed to <3mm. Samples are then riffle split to obtain a sub-sample of approximately 100g which is then pulverized to 90% passing 75mm. 2g of the pulp sample is then weighed with 12g of reagents including a binding agent, the weighed sample is then pulverized again for one minute. The sample is then compressed into a pressed powder tablet for introduction to the 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

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

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

Database

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

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

Estimation and modelling techniques

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

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

Once the sample data has been composited, a statistical analysis is undertaken to assist with determining estimation search parameters, top-cuts etc. 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 the Renison underground mine based on economic assessment and current operating and market parameters.

Metallurgical and Mining Assumptions

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

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

Classification

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

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

Estimated Tin Resources and Reserves

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

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

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

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

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

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

Operating Expenses for the period ended 31 December 2014

Included	**HK$'000**
Mining costs — labour	25,593
Mining costs — others	224,207
Processing costs — labour	32,111
Processing costs — others	46,258
Transportation	4,805
Royalties/fee payable to government	9,655
Financing costs	588

Capital Expenditure for the period ended 31 December 2014

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

During the year under review, there was no new contracts and commitment entered into for infrastructure project, subcontracting and purchase of equipment.

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

Total Resource and Reserve Estimates as at 31 December 2014

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

The above information is extracted from a Mineral Resources report and Ore Reserve estimate report complied by Metals X's 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.

As at 31 December 2014, there was no material change to the total resources and reserves estimates by comparing with the estimates as at 31 December 2013.

Renison Underground Mine

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

The Total Mineral Resource at the Renison underground mine now stands at 12.3 million tonnes grading 1.59% tin making it one of the largest known single mine resources of tin in the world today and reaffirming Renison's status as a world-class tin mine.

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at the 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 the 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 2014, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

Management Agreement

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

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

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

Litigations

HCA 1357/2011

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

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

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their defence and counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement ("Payables"); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to a Hong Kong company ("HK Co."), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) In breach of the Parksong S&P Agreement, Mr. Chan has unilaterally caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company (included the management agreement stated above) without the consent of GPL; and (4) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$179,648,000 in total) and damages etc.

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

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

Since June 2013, GPL and the Company have made applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information on the AUD16.3 Million Issue. The legal proceedings are now being considered with these additional evidence and related investigation. GPL is now making re-assessment on Mr. Chan's Claim and the compensation to be sought under the counterclaims of GPL and the Company, including the amount on the payables and the compensation for production shortfall.

The compensation of production shortfall is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong's advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for production shortfalls are in the sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately of HK$31,354,000 in total).

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

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

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. NIE Dong (聶東), aged 47, 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 41, has been an executive director of the Company since December 2009. Mr. Cheung has also been 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. WANG Chuanhu (汪傳虎), aged 47, has been an executive director of the Company 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 PRC. Mr. Wang is currently the chief executive officer of L'sea International Holdings Limited.

Dr. SHI Simon Hao, aged 50, was a non-executive director of the Company since April 2014 and has been redesignated to an executive director of the Company since April 2015. Dr. Shi graduated from Fudan University with a bachelor degree in Biophysics in 1987 and obtained a PhD degree at the 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 Company, Dr. Shi was previously a Vice-president and Chief Financial Officer and Financial Controller in several public-listed companies in the United States of America, the PRC, Taiwan and Hong Kong. Dr. Shi is currently a Vice President of Munsun Asset Management (Asia) Limited ("Munsun Asset"), a Type 4 and Type 9 license holder conducting regulated activities of advising on securities and asset management under the Securities and Futures Ordinance. Munsun Asset is the general partner and/or investment manager of Munsun Global Mining Investment Fund LP, Munsun Global Mining Investment Fund LP II, Munsun Umbrella Trust-Munsun Stable Growth Fund and Munsun China Opportunity Investment Fund, which are respectively interested in 32,390,000 shares, 639,180,000 shares, 851,390,000 shares and 7,140,000 shares of the Company.

Independent Non-Executive Directors

Mr. CHI Chi Hung, Kenneth (季志雄), aged 46, has been an independent non-executive director of the Company 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 22 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 is currently an executive director of each of Guocang Group Limited (stock code: 559),Ceneric (Holdings) Limited (stock code: 542) and e-Kong Group Limited (stock code: 524). He is also a non-executive director of China Sandi Holdings Limited (stock code: 910) and an independent non-executive director of each of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085), Noble Century Investment Holdings Limited (stock code: 2322), China Natural Investment Company Limited (stock code: 8250), Perfect Shape (PRC) Holdings Limited (stock code: 1830) and Aurum Pacific (China) Group Limited (stock code: 8148). He was an executive director of GET Holdings Limited (stock code: 8100) from July 2010 to June 2014 and an independent non-executive director of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012.

Mr. DENG Shichuan (鄧世川), aged 41, graduated from Ningxia Institute of Technology in July 1996 majoring in construction and engineering and received a master's degree in engineering. Prior to joining the Group, Mr. Deng had over 18 years' experience in construction and real estate sectors. Mr. Deng is currently the director and general manager of 寧夏路橋集團房地產開發有限公司.

Mr. James MUNN (孟園), aged 58, graduated from Shanghai Institute of Foreign Trade in June 1984. He obtained a MBA degree from California State Polytechnic University and a JD in School of Law from Whittier College in June 1990 and April 1998, respectively. Mr. Munn was awarded as one of the "Outstanding Young Men of America" in 1989. Mr. Munn has a qualification certificate for board secretaries of listed companies issued by the Shanghai Stock Exchange as well as professional licenses issued by Securities and Futures Commission of Hong Kong and National Association of Securities Dealers (now known as Financial Regulatory Authority) in the United States. Mr. Munn has over 20 years' experience in corporate governance, legal compliance, operation and internal control management. Mr. Munn had served as the managing director in International Operation Department of Guotai Junan Securities Co., Ltd. and the director of Legal Compliance and Risk Management in Guotai Junan Securities (Hong Kong) Limited from September 2000 to September 2004, and acted as the legal counsel and board secretary of Standard Chartered Bank (China) Limited from March 2007 to July 2013. Mr. Munn currently works at Ascent Investment Consulting Company and is responsible for corporate governance, due diligence and other duties.

Senior Management

Mr. LAM Yiu Por (林曉波), aged 38, has been the head of investor relations since November 2013, and has been promoted as the Chief Financial Officer since September 2014. Mr. Lam holds a Bachelor's degree in Accountancy from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants, a certified public accountant of the Hong Kong Institute of Certified Public Accountants, a chartered financial analyst of the Chartered Financial Analyst Institute and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has more than 15 years of experience in the field of finance and accounting. Mr. Lam is currently an independent non-executive director of Yat Sing Holdings Limited (stock code: 3708) and was an independent non-executive director of GR Properties Limited (stock code: 108), during the period of June 2012 to February 2014, both companies which are listed on the Stock Exchange.

Mr. WONG Tak Shing (黃德盛), aged 52, has been the Regional Chief Financial Officer of the Company with principal responsibility for the financial and operational issue of the Renison project since March 2011, and was appointed as the Company Secretary in September 2014. 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 Sky Forever Supply Chain Management Group 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 2014, the Company had complied with all provision under the Code, except for the deviation from the code provisions A.2.1 and A.6.7 and previous non-compliance with rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules. 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 CEO, 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 seven directors of which four executive directors (the "ED"), namely, Mr. Nie Dong (Chief Executive Officer (the"CEO")), Mr. Cheung Wai Kuen, Mr. Wang Chuanhu and Dr. Shi Simon Hao; and three independent non-executive directors (the "INED"), namely, Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan and Mr. James Munn. 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 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.

One of the INED is a professional accountant, which is in compliance with the requirement of the Listing Rules. Each of our INED has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered all of the INED to be independent.

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

Board Delegation

The Board delegates the authorities to the Three 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 2014 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. CHEUNG Wai Kuen	29/32	N/A	4/4	N/A	1/1	0/0
Mr. NIE Dong	32/32	3/3	N/A	N/A	1/1	0/0
Mr. PU Xiaodong (resigned on 29 January 2014)	0/2	N/A	N/A	N/A	N/A	0/0
Mr. CHEN Zhenliang (resigned on 30 September 2014)	17/18	N/A	N/A	N/A	1/1	0/0
Mr. WANG Chuanhu (appointed on 1 April 2014)	21/25	N/A	N/A	N/A	0/1	0/0
Dr. SHI Simon Hao (appointed on 1April 2014 as non-executive director ("NED") and re-designated to ED on 1 April 2015)	22/25	N/A	N/A	N/A	0/1	0/0
Non-executive directors						
Mr. LI Xianghong (resigned on 1 April 2014)	2/7	N/A	N/A	N/A	N/A	0/0
Mr. QIU Guanzhou (resigned on 31 October 2014)	23/24	N/A	N/A	N/A	0/1	0/0
Independent non-executive directors						
Mr. GAO Dezhu (resigned on 5 September 2014)	14/14	2/2	2/2	2/2	1/1	0/0
Mr. KANG Yi (resigned on 5 September 2014)	13/14	1/2	1/2	1/2	1/1	0/0
Mr. CHI Chi Hung, Kenneth	26/32	2/3	3/4	1/2	1/1	0/0
Mr. DENG Shichuan (appointed on 3 December 2014)	1/2	0/0	0/0	0/0	N/A	0/0
Mr. James MUNN (appointed on 3 December 2014)	1/2	0/0	0/0	0/0	N/A	0/0

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 ED 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 the Three 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 the Three 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 of dissenting views expressed. Draft and final versions of minutes of the Board and the Three 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.

Deviations from the Code Provisions

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

- the audit committee ("Audit Committee") shall only comprise INED; and

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

Further, pursuant to Code Provision A.6.7 of the Code, independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to other pre-arranged commitments which had to be attended by Dr. Shi Simon Hao (who was a non-executive director and re-designated as an executive director on 1 April 2015), Mr. Qiu Guanzhou (who was a non-executive director and resigned on 31 December 2014) and Mr. Wang Chuanhu (who was appointed as an executive director on 1 April 2014), Dr. Shi, Mr. Qiu and Mr. Wang did not attend the annual general meeting of the Company held on 28 May 2014.

Previous Non-Compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules

Following the resignation of Mr. Gao Dezhu and Mr. Kang Yi as the INED on 5 September 2014, the number of INED of the Company falls below the minimum number of independent non-executive directors required under Rules 3.10(1) and 3.10A of the Listing Rules. Please refer to the announcement of the Company dated 5 September 2014 in relation to the resignation of Mr. Gao Dezhu and Mr. Kang Yi as INED of the Company and the non-compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules.

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

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 2014 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 2014 to 31 December 2014 according to the records kept by the Directors is as follows:

	Type of trainings		
Directors	**Seminars and/ or Conferences and/or forums**	**Corporate Events or visits**	**Reading**
Executive Directors			
Mr. CHEUNG Wai Kuen	✓	✓	✓
Mr. NIE Dong	✓	✓	✓
Mr. PU Xiaodong	✓	✓	✓
Mr. CHEN Zhenliang	✓	✓	✓
Mr. WANG Chuanhu	✓	✓	✓
Dr. SHI Simon Hao	✓	✓	✓
Non-executive directors			
Mr. LI Xianghong	✓	✓	✓
Mr. QIU Guanzhou	✓	✓	✓
Independent non-executive directors			
Mr. GAO Dezhu	✓	✓	✓
Mr. KANG Yi	✓	✓	✓
Mr. CHI Chi Hung, Kenneth	✓	✓	✓
Mr. DENG Shichuan	✓	✓	✓
Mr. James MUNN	✓	✓	✓

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. Chen Zhenliang resigned as the ED and the Chairman on 30 September 2014. In the meantime, Mr. Nie Dong, the CEO is assuming the duties of the chairman. The Company is in the process of selecting suitable candidate to fill the vacancy.

Independent Non-Executive Directors

The Company entered a letter of appointment with each of INED for a term of three years.

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 2014, 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 RC comprises three INED namely, Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan and Mr. James Munn and one ED namely, Mr. Nie Dong. Mr. Chi Chi Hung, Kenneth was appointed as the chairman of the RC.

Remuneration Committee meetings

During the year ended 31 December 2014, 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 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 2012 to formulate nomination policy for consideration of the Board and to implement the nomination policy laid down by the Board. It has adopted the terms of reference, which are in line with the 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 is 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 7 Directors. Among which, one of them is 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. Chi Chi Hung, Kenneth, Mr. Deng Shichuan and Mr. James Munn and one ED namely, Mr. Cheung Wai Kuen. Mr. Chi Chi Hung, Kenneth was appointed as the Chairman of the NC.

Nomination Committee meetings

During the year ended 31 December 2014, the NC had met four 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 2014 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. Deng Shichuan and Mr. James Munn. 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 2014, 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 2013 prior to recommending them to the Board for approval;
- to review the interim results of the Group for the half year ended 30 June 2014 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 2014 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 2014 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 2014 in conjunction with the Group's external auditors.

Auditor's Remuneration

During the year ended 31 December 2014, 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$1,910,000 and non-audit services fee for review of preliminary results announcement and continuing connected transactions was HK$70,000 for the year ended 31 December 2014.

The Company has not changed its auditor in any of the preceding three years.

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 2014, the company secretary has confirmed that he 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 2014 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 2014, 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.

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 2014, 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.

Shareholders' Right

Right to convene General Meeting

Shareholders holding 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) 2366 0138
Email: rexwong@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 2015. 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 2014.

Principal Activities

The principal activities of the Company are investment holding and providing corporate management services to its subsidiaries. Details of the principal activities and other particulars of the subsidiaries are set out in note 40 to the Consolidated Financial Statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 40. The directors do not recommend the payment of a dividend for the year ended 31 December 2014.

Closure of Register of Members

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 22 May 2015 to Friday, 29 May 2015, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Thursday, 21 May 2015 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share register in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 21 May 2015.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2014 are set out in note 15 to the Consolidated Financial Statements.

Share Capital and Share Options

There was no movement in the share capital and share options of the Company during the year ended 31 December 2014.

Distributable Reserve of the Company

As at 31 December 2014, the Company's reserves available for distribution to shareholders were as follows:

	HK$'000
Share premium	822,927
Accumulated losses	(396,473)
	426,454

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.

Directors

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

Executive Directors

Mr. CHEN Zhenliang *(Chairman)*	(resigned on 30 September 2014)
Mr. NIE Dong	
Mr. CHEUNG Wai Kuen	
Mr. PU Xiaodong	(resigned on 29 January 2014)
Mr. WANG Chuanhu	(appointed on 1 April 2014)
Dr. SHI Simon Hao	(appointed on 1 April 2014 as NED and re-designated to ED on 1 April 2015)

Non-executive Directors

Professor QIU Guanzhou	(resigned on 31 October 2014)
Mr. LI Xianghong	(resigned on 1 April 2014)

Independent Non-executive Directors

Mr. GAO Dezhu	(resigned on 5 September 2014)
Mr. KANG Yi	(resigned on 5 September 2014)
Mr. CHI Chi Hung, Kenneth	
Mr. DENG Shichuan	(appointed on 3 December 2014)
Mr. James MUNN	(appointed on 3 December 2014)

In accordance with the provisions of the Company's articles of association, Mr. Nie Dong, Mr. Cheung Wai Kuen, Mr. Deng Shichuan and Mr. James Munn will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

Mr. Nie Dong has entered into a service contract with the Company for a term of one year commencing from 1 January 2014 until terminated by not less than one month's notice in writing served by either party on the other. If the service contract is terminated by the Company without such notice, it is subject to compensation payable to Mr. Nie by the Company in the amount equivalent to three months' salary.

Each of Mr. Wang Chuanhu and Dr. Shi Simon Hao have respectively entered into a service contract with the Company for a term of one year commencing from 1 April 2014 until terminated by not less than one month's notice in writing served by either party on the other. Such contracts have been renewed with a term of three years commencing from 1 April 2015 until terminated by not less than one month's notice in writing served by either party on the other.

Each of Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan, Mr. James Munn and Mr. Cheung Wai Kuen have entered into a service contract with the Company for a term of three years commencing on 12 October 2014, 3 December 2014, 3 December 2014 and 4 December 2014 respectively until terminated by not less than one month's notice in writing served by either party on the other.

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

Directors' and Chief Executive's Interest and Short Positions in the Shares of the Company

As at 31 December 2014, 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 of 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 2014, the following persons/entities 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
Xie Haiyu	Personal	994,610,000	19.39%
Munsun Asset Management (Asia) Limited (Note)	Investment Manager	1,530,100,000	29.83%
Munsun Umbrella Trust-Munsun Stable Growth Fund (of which TMF (Cayman) Ltd. Acts as Trustee) ("Munsun Umbrella")	Trustee	851,390,000	16.60%

Notes: Munsun Asset Management (Asia) Limited, 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 Asset Management (Asia) Limited also acted as the general partner and investment manager of Munsun Umbrella Trust-Munsun Stable Growth Fund and Munsun China Opportunity Investment Fund, which were respectively interested in 851,390,000 Shares and 7,140,000 Shares. 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' 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 2014.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2014 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 2014, none of the Directors 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 2014 did a director, a close 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

(a) Tin concentrates supply

On 31 January 2013, YTPAH entered into the tin supply contract with YTATR, pursuant to which YTPAH agreed to supply tin concentrates (the "Tin Supply Contract") to YTATR for the period from 1 February 2013 to 31 January 2016. YTPAH is a wholly-owned subsidiary of Yunnan Tin Hong Kong (Holding) Group Co. Limited ("YTHK"), which is owned as to 82% by the Company and 18% by Yunnan Tin PRC, which in turn holds 100% equity interest in YTATR. As such, YTATR is a connected person of the Company by virtue of being a subsidiary of the substantial shareholder of YTHK. Accordingly, the transaction contemplated under the Tin Supply Contract constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the 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 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 YTATR pays 85% of the provisional value of each lot within three working days after the YTATR 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 YTATR.

The revenue under the Tin Supply Contract for the year ended 31 December 2014 amounted to approximately HK$491,921,000.

(b) Copper concentrates supply

On 6 August 2014, YTPAH entered into the copper supply contract with YTATR, pursuant to which YTPAH agreed to supply copper concentrates (the "Copper Supply Contract") to YTATR for the period from 6 August 2014 to 31 January 2016. As such, with disclosed in (a) above, YTATR is a connected person of the Company by virtue of being a subsidiary of the substantial shareholder of YTHK. Accordingly, the transaction contemplated under the Copper Supply Contract constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The annual caps for the transactions contemplated under the Copper Supply Contract are approximately HK$18.2 million from 6 August 2014 to 31 December 2014, approximately HK$43.7 million for the year ending 31 December 2015 and approximately HK$3.7 million from 1 January 2016 to 31 January 2016.

If the copper grade is equal to or over 30% on dmt basis (under the same basis hereinafter), YTATR shall pay 96.5% of the full copper content, subject to a minimum deduction of one (1) unit. If the copper grade is less than 30%, one (1) unit of the gross copper assay at 30% copper plus 0.2 unit for each one percent below 30% copper are deducted from the gross copper assay. No payment shall be made for silver if the silver content is less than 30 grams per dmt. If the silver content is equal to or exceeds 30 grams per dmt, subject to the copper grade being equal to or exceeds 30% on dmt basis, YTATR shall pay 90% of the full silver content. If the silver content is equal to or exceeds 30 grams per dmt, subject to the copper grade being less than 30% on dmt basis, YTATR shall pay 80% of the full silver content. The treatment charge and refining charge for copper concentrates shall be US$180 per dmt and US$0.18 per pound of copper payable; whereas the treatment charge and refining charge for silver shall be US$0.5 per payable ounce of silver payable.

It was agreed that YTATR shall pay 90% of the provisional value of each lot of the copper concentrates based on the average official LME cash price within 5 days prior to the bill of lading date by telegraphic transfer within 15 working days after the YTATR received all shipment documents. Final settlement value payable by YTATR is calculated by the adjustment of payable metal and the deduction of charges and penalties from the final commercial value. The remaining payment for final settlement value shall be settled no later than 5 working days after the final analysis and weights of the copper concentrates were confirmed by both YTATR and YTPAH and no later than the fourth calendar month following the month of issuance of the bill of lading as evidence by the date of the bill of lading.

The revenue under the Copper Supply Contract for the year ended 31 December 2014 amounted to approximately HK$5,360,000.

(c) Annual review

The INED have reviewed and confirmed that the continuing connected transactions contemplated under the Tin Supply Contract and the Copper 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 14A.56 of the Listing Rules, the Company has engaged the Company's external auditor to report on the Group's continuing connected transactions 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. The auditor has issued his unqualified letter in respect of the continuing connected transactions as disclosed by the Group in pages 34 and 35 in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. 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 36 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 2014.

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 PRC, 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 35 to the Consolidated Financial Statements.

Corporate Governance Code

In the opinion of the Directors, except the deviation disclosed in the section headed Deviations from the Code Provisions in the 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 2014.

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 2014.

Independent Non-Executive Directors

The Company has received, from each of the INED, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INED 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 2014 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

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 2014 and as at the latest practicable date prior to the issue of this report (i.e 22 April 2015).

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 98.

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
30 March 2015

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 40 to 97 which comprise the consolidated statement of financial position as at 31 December 2014, 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 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.

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 2014 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	**2014 HK$'000**	2013 HK$'000
Revenue	6	**497,281**	446,650
Cost of sales		**(468,625)**	(471,861)
Gross profit (loss)		**28,656**	(25,211)
Interest income		**999**	1,363
Administrative expenses		**(41,704)**	(39,294)
Other expenses	8	**(11,246)**	(10,355)
Other gains and losses	9	**45,714**	165,121
Finance costs	10	**(24,490)**	(39,429)
(Loss) profit before taxation		**(2,071)**	52,195
Taxation (charge) credit	12	**(21,414)**	7,016
(Loss) profit for the year	13	**(23,485)**	59,211
Other comprehensive expense for the year			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**(37,112)**	(59,385)
Total comprehensive expense for the year		**(60,597)**	(174)
(Loss) profit for the year attributable to:			
Owners of the Company		**(23,465)**	80,266
Non-controlling interests		**(20)**	(21,055)
		(23,485)	59,211
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(60,612)**	22,203
Non-controlling interests		**15**	(22,377)
		(60,597)	(174)
(Loss) earnings per share	14		
Basic and diluted (HK cents)		**(0.46)**	1.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment	15	**216,261**	223,256
Mining rights	16	**88,078**	67,940
Exploration and evaluation assets	17	**186,268**	246,586
Deposits	18	**13,044**	14,184
		503,651	551,966
Current assets			
Inventories	19	**17,194**	16,069
Trade receivables	20	**36,431**	36,488
Other receivables, prepayments and deposits		**8,352**	12,310
Held-for-trading investments	21	**4,484**	24,464
Bank balances and cash	22	**164,999**	122,169
		231,460	211,500
Current liabilities			
Trade payables	23	**31,129**	36,355
Other payables and accruals	24	**92,185**	96,131
Amount due to a non-controlling shareholder of a subsidiary	25	**4,283**	4,658
Amount due to a related company	25	**1,179**	1,186
Obligations under finance leases	26	**526**	456
		129,302	138,786
Net current assets		**102,158**	72,714
Total assets less current liabilities		**605,809**	624,680

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	28	**25,650**	25,650
Reserves		**390,577**	451,189
Equity attributable to owners of the Company		**416,227**	476,839
Non-controlling interests		**(389)**	(404)
Total equity		**415,838**	476,435
Non-current liabilities			
Obligations under finance leases	26	**–**	571
Convertible bonds	27	**147,010**	123,108
Deferred taxation	29	**28,442**	9,873
Provision for rehabilitation	30	**14,519**	14,693
		189,971	148,245
		605,809	624,680

The consolidated financial statements on pages 40 to 97 were approved and authorised for issue by the Board of Directors on 30 March 2015 and are signed on its behalf by:

NIE Dong
DIRECTOR

SHI Simon Hao
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	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 income (expense) 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 27)	–	–	–	–	–	(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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(23,465)**	**(23,465)**	**(20)**	**(23,485)**
Exchange difference arising on translation to presentation currency	**–**	**–**	**(37,147)**	**–**	**–**	**–**	**–**	**(37,147)**	**35**	**(37,112)**
Total comprehensive income (expense) for the year	**–**	**–**	**(37,147)**	**–**	**–**	**–**	**(23,465)**	**(60,612)**	**15**	**(60,597)**
At 31 December 2014	**25,650**	**822,927**	**(79,176)**	**7,800**	**(1,280)**	**133,262**	**(492,956)**	**416,227**	**(389)**	**415,838**

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 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(2,071)**	52,195
Adjustments for:		
Interest income	**(999)**	(1,363)
Interest expense	**24,490**	39,429
Gain on disposal of property, plant and equipment	**(224)**	(2,621)
Reversal of impairment loss recognised on property, plant and equipment	**(2,110)**	—
(Reversal of impairment loss) impairment loss recognised on other receivable	**(568)**	29,071
Amortisation of mining rights	**24,753**	44,927
Reversal of impairment loss recognised on mining rights	**(9,811)**	—
Reversal of impairment loss recognised on exploration and evaluation assets	**(20,546)**	—
Depreciation of property, plant and equipment	**73,917**	86,133
Gain on repurchase of convertible bonds	**–**	(192,894)
Adjustment on provision for rehabilitation cost	**622**	(458)
Unrealised exchange loss arising on convertible bonds	**1,926**	17,360
Operating cash flows before movements in working capital	**89,379**	71,779
Decrease in deposits	**1,381**	1,291
(Increase) decrease in inventories	**(852)**	1,218
Decrease in trade receivables	**677**	6,642
Decrease in other receivables, prepayments and deposits	**4,846**	6,498
Decrease (increase) in held for trading investments	**19,980**	(5,359)
(Decrease) increase in trade payables	**(5,844)**	1,358
Decrease in other payables and accruals	**(5,581)**	(1,688)
Cash generated from operations	**103,986**	81,739
Income taxes refunded	**–**	4,134
NET CASH FROM OPERATING ACTIVITIES	**103,986**	85,873
INVESTING ACTIVITIES		
Interest received	**999**	1,363
Purchase of property, plant and equipment	**(51,366)**	(94,283)
Proceeds from disposal of property, plant and equipment	**266**	41,583
Exploration and evaluation expenditure incurred	**(4,046)**	(14,622)
Addition to mining rights	**–**	(7,538)
NET CASH USED IN INVESTING ACTIVITIES	**(54,147)**	(73,497)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
FINANCING ACTIVITIES		
Payment for repurchase of convertible notes	–	(150,000)
Interest paid	(96)	(8,514)
Repayment of obligations under finance leases	(518)	(38,633)
Issue of shares	–	360,800
Transaction costs attributable for issue of shares	–	(5,412)
Repayment to non-controlling interests of a subsidiary	(375)	(4,966)
Advance from a related company	–	725
Repayment to a related company	–	(10,694)
Repayment to a joint venturer	–	(18,087)
Repayment to a director	–	(63,536)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(989)	61,683
NET INCREASE IN CASH AND CASH EQUIVALENTS	48,850	74,059
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(6,020)	(2,544)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	122,169	50,654
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by Bank balances and cash	164,999	122,169

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 to its subsidiaries. The principal activities of its subsidiaries are set out in note 40.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

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

The Group has applied the amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets" for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 "Fair value measurements". The amendments to HKAS 36 resulted in additional disclosure respect of in the recoverable amount of the CGU as disclosed in note 16.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and revised HKFRSs in issue but not yet effective

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

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

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

HKFRS 9 "Financial instruments"

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 "Financial instruments" (Continued)

Key requirements of HKFRS 9 are described below:

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

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

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 15 "Revenue from contracts with customers"

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

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

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

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

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

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

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

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

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKAS 16 and HKAS 38 Clarification of acceptable methods of depreciation and amortization (Continued)

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

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

3. Significant Accounting Policies

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

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

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

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

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:

- 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.

3. Significant Accounting Policies (Continued)

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 venture 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.

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.

3. Significant Accounting Policies (Continued)

Interests in joint venture (Continued)

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a 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.

Sales of goods

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

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

Interest income

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

Property, plant and equipment

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

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

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

Impairment of exploration and evaluation assets

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

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future.
- substantive expenditure on further exploration for and evaluation of natural resources in the specific area is neither budgeted nor planned.
- exploration for and evaluation of natural resources in the specific area have not led to the discovery of commercially viable quantities of natural resources and the Group has decided to discontinue such activities in the specific area.
- sufficient data (such as tin prices) exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

Leasing

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

The Group as lessee

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

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.

3. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

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

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a partial disposal of an interest in a joint arrangement) which is not foreign operation, all of the exchange differences accumulated in equity in respect of that operation 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.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in Australia (Superannuation fund) and the People's Republic of China (the "PRC") and the Mandatory Provident Fund 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 (loss) 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 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.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in joint venture, 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.

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. When 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 immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Inventories

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

Financial instruments

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

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

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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. 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 instruments. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the conversion 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 conversion 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 conversion 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.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds contains liability and equity components (Continued)

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

Financial liabilities including trade payables, other payables and accruals, amounts due to a non-controlling shareholder of a subsidiary and a related company and liability component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

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 12 years (2013: 9 years) for its mining rights based on the proven and probable reserves. However, as at 31 December 2014, the mining rights have a remaining terms of approximately 2 years (2013: 3 years). The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Depreciation/amortisation on mining rights and mining structures

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

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data becomes 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.

4. Key Sources of Estimation Uncertainty (Continued)

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 2014, the carrying amount of provision for rehabilitation cost is approximately HK$14,519,000 (2013: HK$14,693,000).

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

Determining whether mining related property, plant and equipment (which mainly includes the mining structures, buildings construction in progress and machineries for the mine operation), mining rights and exploration and evaluation assets are impaired requires an estimation of the value in use of the cash-generating unit ("CGU") 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 CGU (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.

In view of the significant increase in the estimated total proven and probable reserves of the Renison underground mine and the enhanced production rate, the recoverable amount of the CGU of the Renison underground mine is higher than its carrying value as at 31 December 2014. Accordingly, reversal of impairment losses on mining related property, plant and equipment, mining rights and exploration and evaluation assets of HK$2,110,000, HK$9,811,000, HK$20,546,000, respectively are recognised to profit or loss during the year ended 31 December 2014. Details of impairment assessment on the CGU is disclosed in note 16.

5. Financial Instruments

(a) Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**218,449**	179,306
Held for trading investments	**4,484**	24,464
Financial liabilities		
Amortised cost	**275,786**	261,438

5. Financial Instruments (Continued)

(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 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 in 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 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, amount due to a related company, 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
United States Dollars ("USD")	**83,976**	36,500	**–**	–
Renminbi ("RMB")	**419**	471	**–**	82
HK$	**41,067**	70,351	**149,033**	123,277

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 a decrease (increase) in loss (2013: increase (decrease) in profit) 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/profit for the year.

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

	2014 **HK$'000**
HK$ impact	**(5,398)**
RMB impact	**21**
USD impact	**4,198**

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

	2013 HK$'000
HK$ impact	(2,646)
RMB impact	19
USD impact	1,825

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 lease and convertible bonds liability as at 31 December 2014 and 2013 (see notes 26 and 27 for details).

Sensitivity analysis

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

If the interest rates had been 20 basis point higher/lower and all other variables were held constant, the Group's post-tax loss (2013: post-tax profit) for the year would decrease/increase (2013: increase/decrease) by approximately HK$330,000 (2013: HK$244,000).

Other price risk

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

Sensitivity analysis

The sensitivity analyses on held-for-trading investments during the year ended 31 December 2014 have been determined based on the exposure to equity price risks at the reporting date. For sensitivity analysis purpose, the sensitivity rate considers at 30% in the current year. If the prices of the respective equity instruments had been 30% higher/lower and all other variables were held constant, the Group's post-tax loss (2013: post-tax profit) for the year would decrease/increase (2013: increase/decrease) approximately by HK$1,345,000 (2013: HK$7,339,000) 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 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 and copper concentrate. Yunnan Tin Australia TDK Resources Pty Limited ("YTATR"), a tin and copper refining and processing company located in Australia, is a subsidiary of non-controlling shareholder of a subsidiary of the Company. The management reviews the recoverable amount of YTATR at the end of the reporting period, including past collection history and subsequent settlement, to ensure that adequate impairment losses are recognised for irrecoverable debts, if any. In this regard, the management of the Group considers that the credit risk is significantly reduced.

Liquidity risk

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

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

5. Financial Instruments (Continued)

(b) Financial risk management objective and policies (Continued)

Liquidity risk (Continued)

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
2014						
Trade payables	–	31,129	–	–	31,129	31,129
Other payables and accruals	–	92,185	–	–	92,185	92,185
Obligations under finance leases	5.9	135	405	–	540	526
Amount due to a non-controlling shareholder of a subsidiary	6.0	4,283	–	–	4,283	4,283
Amount due to a related company	–	1,179	–	–	1,179	1,179
Convertible bonds	20.12	–	–	193,500	193,500	147,010
		128,911	405	193,500	322,816	276,312

	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	6.0	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)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of certain 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 and inputs used).

Financial assets	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Valuation technique and key input(s)
Held-for-trading investments	HK$4,484,000	HK$24,464,000	Level 1	Quoted bid prices in an active market

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

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.

Information about the valuation techniques and inputs used in determining the fair value of held-for-trading assets are disclosed above.

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 27, amounts due to a non-controlling shareholder of a subsidiary and a related company as disclosed in note 25 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. 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 not reported to the executive directors of the Company for resource allocation and assessment purpose.

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

Revenue from major products

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

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

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.

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

Information about sole customer

	2014 HK$'000	2013 HK$'000
YTATR	**497,281**	446,650

8. Other Expenses

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

9. Other Gains and Losses

	2014 HK$'000	2013 HK$'000
Fair value change of held-for-trading investments	**(5,180)**	5,389
Reversal of impairment loss recognised on property, plant and equipment	**2,110**	—
Reversal of impairment loss recognised on mining rights	**9,811**	—
Reversal of impairment loss recognised on exploration and evaluation assets	**20,546**	—
Reversal of impairment loss (impairment loss recognised) on other receivables	**568**	(29,071)
Net foreign exchange gain (loss)	**17,635**	(6,712)
Gain on repurchase of convertible bonds (note 27)	**—**	192,894
Gain on disposal of property, plant and equipment	**224**	2,621
	45,714	165,121

10. Finance Costs

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

11. Directors', Chief Executive's and Employees Emoluments

Directors' and chief executives emoluments

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

	CHEUNG Wai Kuen HK$'000	NIE Dong HK$'000 (note (vi))	WANG Chunhu HK$'000 (note (iv))	CHEN Zhenliang HK$'000 (note (iii))	PU Xiaodong HK$'000 (note (x))	DR. SHI Simon Hao HK$'000 (note (iv))	QIU Guanzhou HK$'000 (note (vii))	LI Xianghong HK$'000 (note (v))	CHI Chi Hung Kenneth HK$'000	DENG Shichuan HK$'000 (note (viii))	MUNN James HK$'000 (note (viii))	GAO Dezhu HK$'000 (note (ii))	KANG Yi HK$'000 (note (ii))	Total HK$'000
For the year ended 31 December 2014														
Fees	–	1,424	–	810	–	180	150	–	180	14	14	123	123	3,018
Other emoluments:														
Salaries, allowances and benefits in kind	–	934	–	814	–	–	–	–	–	–	–	–	–	1,748
Contributions to retirement benefit scheme	–	13	–	–	–	–	–	–	–	–	–	–	–	13
Discretionary bonus (note i)	–	1,560	–	–	–	–	–	–	–	–	–	–	–	1,560
Total emoluments	–	3,931	–	1,624	–	180	150	–	180	14	14	123	123	6,339

	XIE Haiyu HK$'000 (note (ix))	CHEUNG Wai Kuen HK$'000	PU Xiaodong HK$'000 (note (x))	NIE Dong HK$'000 (note (vi))	CHEN Zhenliang HK$'000 (note (iii))	QIU Guanzhou HK$'000 (note (vii))	LI Xianghong HK$'000 (note (v))	CHI Chi Hung Kenneth HK$'000	GAO Dezhu HK$'000 (note (ii))	KANG Yi HK$'000 (note (ii))	Total HK$'000
For the year ended 31 December 2013											
Fees	–	–	–	960	810	180	–	180	180	180	2,490
Other emoluments:											
Salaries, allowances and benefits in kind	–	–	–	1,307	17	–	–	–	–	–	1,324
Contributions to retirement benefit scheme	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	–	2,267	827	180	–	180	180	180	3,814

Notes:

(i) The bonus is discretionary and is determined by the remuneration committee by reference to the individual performance of the director.
(ii) Mr. Gao Dezhu and Mr. Kang Yi resigned on 5 September 2014.
(iii) Mr. Chen Zhenliang resigned on 30 September 2014.
(iv) Mr. Wang Chunhu and Dr. Shi Simon Hao were appointed on 1 April 2014.
(v) Mr. Li Xianghong resigned on 1 April 2014.
(vi) Mr. Nie Dong was also appointed as the Chief Executive Officer of the Company on 8 March 2013 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.
(vii) Professor Qiu Guanzhou resigned on 31 October 2014.
(viii) Mr. Deng Shichuan and Mr. Munn James were appointed on 3 December 2014.
(ix) Mr. Xie Haiyu resigned on 8 March 2013.
(x) Mr. Pu Xiaodong was appointed as the Chief Executive of the Company on 16 February 2012 but resigned as Chief Executive Officer on 8 March 2013. Mr. Pu Xiaodong was resigned as director on 29 January 2014.

11. Directors', Chief Executive's and Employees Emoluments (Continued)

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company, details of whose emoluments are included above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	3,204	2,360
Discretionary bonus	1,242	—
Contributions to retirement benefit scheme	46	31
	4,492	2,391

The emolument of the remaining three (2013: three) individuals for the year was within the following bands:

	2014 No. of employees	2013 No. of employees
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	3	2

During both years, no emoluments were paid by the Group to the directors, chief executive 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 or chief executive of the Company waived or agreed to waive any emoluments.

12. Taxation (Charge) Credit

	2014 HK$'000	2013 HK$'000
The (charge) credit comprises:		
Deferred tax (charge) credit for the year (note 29)	(21,414)	7,016

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

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

12. Taxation (Charge) Credit (Continued)

Under Australian tax law, the tax rate used for the year is 30% (2013: 30%) on taxable profits on Australian incorporated entities.

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

	2014 HK$'000	2013 HK$'000
(Loss) profit before taxation	**(2,071)**	52,195
Tax at Australia Profits Tax rate of 30% (2013: 30%)	**621**	(15,659)
Tax effect of expenses not deductible for tax purpose	**(38,564)**	(23,901)
Tax effect of income not taxable for tax purpose	**16,529**	54,780
Tax effect of tax losses not recognised	**–**	(8,204)
Taxation (charge) credit for the year	**(21,414)**	7,016

13. (Loss) Profit for the year

	2014 HK$'000	2013 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Auditor's remuneration	**2,760**	3,070
Cost of inventories recognised as an expense	**468,625**	471,861
Depreciation of property, plant and equipment	**73,917**	86,133
Amortisation of mining rights included in cost of sales	**24,753**	44,927
Operating lease rentals in respect of rented premises, equipment and leasehold land	**2,523**	2,434
Staff costs (including directors' emoluments (note 11))		
— Salaries and other benefits	**71,242**	71,185
— Contributions to retirement benefit schemes	**4,824**	4,705
	76,066	75,890

14. (Loss) Earnings Per Share

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

	2014 HK$'000	2013 HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share:		
(Loss) profit for the year attributable to owners of the Company	**(23,465)**	80,266

	2014 Number of shares	2013 Number of shares
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	**5,130,000,000**	4,809,452,055

For the year ended 31 December 2014, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

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

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2013 had been adjusted for the issue of shares with details as disclosed in note 28.

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 2013	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 (note 17)	–	18,653	–	–	–	–	–	18,653
At 31 December 2013	**36,651**	**211,083**	**5,635**	**7,543**	**3,878**	**156,084**	**8,705**	**429,579**
Exchange adjustments	**(2,946)**	**(16,969)**	**(4)**	**(606)**	**–**	**(12,426)**	**(227)**	**(33,178)**
Additions	**–**	**42,092**	**–**	**9,170**	**–**	**104**	**–**	**51,366**
Disposal	**–**	**–**	**–**	**–**	**–**	**(414)**	**(99)**	**(513)**
Transfer	**1,459**	**–**	**–**	**(9,257)**	**–**	**7,262**	**536**	**–**
Transfer from exploration and evaluation assets (note 17)	**–**	**24,009**	**–**	**–**	**–**	**–**	**–**	**24,009**
At 31 December 2014	**35,164**	**260,215**	**5,631**	**6,850**	**3,878**	**150,610**	**8,915**	**471,263**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2013	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**
Exchange adjustments	**(497)**	**(14,445)**	**(1)**	**–**	**–**	**(7,573)**	**(141)**	**(22,657)**
Provided for the year	**1,416**	**47,550**	**517**	**–**	**779**	**22,362**	**1,293**	**73,917**
Reversal of impairment loss	**–**	**(2,110)**	**–**	**–**	**–**	**–**	**–**	**(2,110)**
Eliminated on disposal	**–**	**–**	**–**	**–**	**–**	**(372)**	**(99)**	**(471)**
At 31 December 2014	**5,418**	**154,062**	**5,187**	**–**	**3,491**	**83,212**	**3,632**	**255,002**
CARRYING VALUES								
At 31 December 2014	**29,746**	**106,153**	**444**	**6,850**	**387**	**67,398**	**5,283**	**216,261**
At 31 December 2013	32,152	88,016	964	7,543	1,166	87,289	6,126	223,256

15. Property, Plant and Equipment (Continued)

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

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

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 2014 is 18.2% (2013: 23.4%).

As at 31 December 2014, the net carrying value of property, plant and equipment included an amount of approximately HK$794,000 (2013: HK$1,198,000) 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 2013	503,101
Additions	7,538
Transfer from exploration and evaluation assets (note 17)	5,572
Exchange adjustment	(73,583)
At 31 December 2013	**442,628**
Transfer from exploration and evaluation assets (note 17)	**39,111**
Exchange adjustment	**(36,522)**
At 31 December 2014	**445,217**
AMORTISATION AND IMPAIRMENT	
At 1 January 2013	389,655
Amortisation for the year	44,927
Exchange adjustment	(59,894)
At 31 December 2013	**374,688**
Amortisation for the year	**24,753**
Reversal of impairment loss	**(9,811)**
Exchange adjustment	**(32,491)**
At 31 December 2014	**357,139**
CARRYING VALUES	
At 31 December 2014	**88,078**
At 31 December 2013	67,940

16. Mining Rights (Continued)

The mining rights represented the rights to conduct mining activities in Australia and have been granted for the terms up to August 2016 in relation to Renison underground mine. In the opinion of the directors, the Group will be able to continuously renew the mining rights with relevant government authorities without significant costs. The mining rights are amortised using the unit of production method based on the actual production volume over the estimated total proven and probable reserves of the ore mines.

Impairment testing on the CGU of the Renison underground mine

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

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

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

17. Exploration and Evaluation Assets

	HK$'000
CARRYING AMOUNT	
At 1 January 2013	298,379
Additions	14,622
Transfer to mining rights (note 16)	(5,572)
Transfer to property, plant and equipment (note 15)	(18,653)
Exchange adjustment	(42,190)
At 31 December 2013	**246,586**
Additions	**4,046**
Transfer to mining rights (note 16)	**(39,111)**
Transfer to property, plant and equipment (note 15)	**(24,009)**
Reversal of impairment loss	**20,546**
Exchange adjustment	**(21,790)**
At 31 December 2014	**186,268**

18. Deposits

Deposits with the carrying amount of HK$13,044,000 (2013: HK$14,184,000) as at 31 December 2014 represent 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

	2014 **HK$'000**	2013 HK$'000
Ore stocks	**1,300**	396
Work-in-progress	**1,941**	492
Tin in circuit	**265**	399
Copper concentrate	**73**	779
Spare parts	**12,247**	12,711
Others	**1,368**	1,292
	17,194	16,069

20. Trade Receivables

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

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

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

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

20. Trade Receivables (Continued)

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Concentration of credit risk on a customer is disclosed in note 5. Trade receivables that are neither past due nor impaired are those debtors with satisfactory credit quality under the management's assessment and with good past repayment record. The directors also believe that there is no impairment required in excess of the allowance for bad and doubtful debts.

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

	2014 HK$'000	2013 HK$'000
USD	**36,431**	36,488

21. Held-For-Trading Investments

	2014 HK$'000	2013 HK$'000
Equity securities listed in Hong Kong	**4,484**	24,464

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

22. Bank Balances and Cash

Bank balances comprise bank deposits held by the Group with an original maturity of three months or less. The bank balances carried effective interest rates ranging from 0.1% to 0.3% (2013: 0.01% to 2.8%) per annum.

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

	2014 HK$'000	2013 HK$'000
USD	**47,545**	12
HK$	**38,397**	66,053
RMB	**79**	—
AUD	**57**	—

23. Trade Payables

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

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

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

24. Other Payables and Accruals

	2014 HK$'000	2013 HK$'000
Net payables to the Vendor (note)	**78,146**	84,977
Other payables and accruals	**14,039**	11,154
	92,185	96,131

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, as the purchaser, a wholly owned subsidiary of the Company, 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 34.

25. Amount due to a Non-Controlling Shareholder of a Subsidiary/Amount due to a Related Company

Amounts due to a non-controlling shareholder of a subsidiary and a related company are unsecured, interest-free and repayable on demand. The related company is controlled by a substantial shareholder of the Company.

26. Obligations under Finance Leases

	2014	2013
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Current liabilities	**526**	456
Non-current liabilities	**–**	571
	526	1,027

Certain machineries of the mining projects of the joint operation are under finance leases. The lease term is 3 years (2013: average of 3 years). Interest rates underlying all obligations under finance leases are fixed at 5.9% (2013: fixed at 5.9%).

	Minimum lease payments		**Present value of minimum lease payments**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**540**	505	**526**	456
In more than one year but not more than two years	**–**	587	**–**	571
	540	1,092	**526**	1,027
Less: Future finance charges	**(14)**	(65)	**N/A**	N/A
Present value of lease obligations	**526**	1,027	**526**	1,027
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(526)**	(456)
Amount due for settlement after 12 months			**–**	571

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

27. Convertible Bonds

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

	Equity component	**Liability component**	**Total**
	HK$'000	HK$'000	HK$'000
As at 1 January 2013	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**
Interest charge	**–**	**23,902**	**23,902**
Exchange loss recognised in profit or loss	**–**	**1,926**	**1,926**
Exchange adjustment to presentation currency	**–**	**(1,926)**	**(1,926)**
As at 31 December 2014	**133,262**	**147,010**	**280,272**

On 5 March 2013, the Company 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$104,644,000, based on the date of repurchase established at initial recognition, and equity component of HK$156,813,000 at the date of the early 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 was HK$192,894,000, was recognised in profit or loss for the year ended 31 December 2013. 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 was HK$276,004,000, was transferred to accumulated losses.

28. Share Capital

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2013, 31 December 2013 and 31 December 2014	20,000,000,000	100,000
Issued:		
At 1 January 2013	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 and 2014	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 ordinary 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. There was no movement in the Company's share capital during the year ended 31 December 2014.

29. 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$'000	Provisions and accrued charges HK$'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 2013	3,471	11,574	33,140	(67,233)	(19,048)
(Charge) credit to profit or loss (note 12)	(1,800)	1,383	1,604	5,829	7,016
Exchange adjustment	(351)	(1,433)	(4,907)	8,850	2,159
At 31 December 2013	**1,320**	**11,524**	**29,837**	**(52,554)**	**(9,873)**
(Charge) credit to profit or loss (note 12)	**(1,343)**	**1,310**	**(13,145)**	**(8,236)**	**(21,414)**
Exchange adjustment	**23**	**(1,052)**	**(1,140)**	**5,014**	**2,845**
At 31 December 2014	**–**	**11,782**	**15,552**	**(55,776)**	**(28,442)**

As at 31 December 2014, the Group had estimated unused tax losses of approximately HK$164,573,000 (2013: HK$212,190,000) available for offset against future profits. Tax losses of HK$51,840,000 (2013: HK$99,457,000) had been recognised as deferred tax asset at 31 December 2014. No deferred tax asset had been recognised in respect of the remaining tax losses of HK$112,733,000 (2013: HK$112,733,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$16,137,000 (2013: HK$15,043,000) that will expire in 5 years since such losses incurred. Other tax losses may be carried forward indefinitely.

30. Provision for Rehabilitation

	HK$'000
At 1 January 2013	17,536
Adjustments	(458)
Unwinding of discount	113
Exchange adjustment	(2,498)
At 31 December 2013	**14,693**
Adjustments	**622**
Unwinding of discount	**492**
Exchange adjustment	**(1,288)**
At 31 December 2014	**14,519**

The provision for rehabilitation represents the estimated cost of decommission and rehabilitation of mines and processing sites of the mining projects of the joint operation to be carried out at the end of their producing lives. The discount rate used in determination the provision for rehabilitation is 2.44% as at 31 December 2014 (2013: 4.79%).

31. Joint Arrangements

Joint operation

Upon the acquisition of Parksong, the Group has enter into a joint venture agreement with another venturer. Each of the venturers holds 50% interest in certain mining projects ("JV Projects") located in Tasmania, Australia which comprises of (i) the Renison mine, concentrator and infrastructure, (ii) the Mount Bischoff open cut tin project and (iii) the Retails tailing retreatment projects (hereinafter collectively referred to as the "Mining Assets").

YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Ltd. ("BMT") entered into a joint venture agreement (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.

31. Joint Arrangements (Continued)

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 2014	2013	Principal activity
Bluestone Mines Tasmania Joint Venture Pty Limited ("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 2014 and 2013 and no revenue and expenses incurred during the years ended 31 December 2014 and 2013.

32. 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:

	2014 HK$'000	2013 HK$'000
Within one year	**2,018**	3,350
In the second to fifth year inclusive	**740**	3,083
	2,758	6,433

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.

33. Capital Commitments

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

	2014 **HK$'000**	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment of JV Projects	**1,600**	1,075

As at 31 December 2014 and 2013, 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.

34. Litigation

HCA1357/2011

The legal 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 by the Vendor claiming for, inter alia, a sum of AUD15,143,422.44 (equivalent to approximately HK$95,814,000), 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 made by the Vendor in the Claim because the Group's 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 AUD25,854,000 and US$2,060,000 (equivalent to approximately HK$179,648,000 in aggregate) against the Vendor on 11 October 2011 (the "Counterclaim") 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 Counterclaim (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 further documents.

Since June 2013, GPL and the Company have made applications to obtain further evidence from the Vendor including discovery of further documents and interrogatories for further information on the issue of AUD16.3 million being a part of the Counterclaim.

GPL has also reviewed the issue on production shortfall. Pursuant to Parksong S&P Agreement, the 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, second and third anniversaries were 4,979, 6,159 and 6,013 tonnes respectively, resulting in respective shortfalls of 1,521, 341 and 487 tonnes ("Production Shortfalls"). GPL's claims on compensation for Production Shortfalls are in sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (equivalent to approximately HK$31,354,000 in aggregate).

34. Litigation (Continued)

HCA1357/2011 (Continued)

The legal proceedings are now being considered with these additional evidences and related investigation. GPL's and the Company's applications for expert evidence and joinder, after an initial hearing on 19 December 2014, have been scheduled for further hearings in late July 2015.

Pending the outcome of the Claim and the Counterclaim, as at 31 December 2014, the Group accrued for the net payables to the Vendor pursuant to the Parksong S&P Agreement. Details of such net payables of HK$78,146,000 (2013: HK$84,977,000) are disclosed in note 24.

35. 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 2014 and 2013.

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 2014, the Group's share of total contributions to the retirement benefit schemes is approximately HK$4,824,000 (2013: HK$4,705,000).

36. Related Party Transactions

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

	2014 HK$'000	2013 HK$'000
Sales of copper concentrate to YTATR (note)	**5,360**	–
Sales of tin concentrate to YTATR (note)	**491,921**	446,650
Amount due from YTATR included in trade receivables	**36,431**	36,488
Interest paid to a non-controlling shareholder of a subsidiary	**–**	420
Interest paid to a director	**–**	702
Interest paid to a related company	**–**	411

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 and 25 respectively.

Compensation of key management personnel

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

	2014 HK$'000	2013 HK$'000
Short-term benefits	**10,979**	4,874
Contributions to retirement benefit scheme	**59**	31
	11,038	4,905

37. Share Option Scheme

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

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

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

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 2014 and 2013.

38. Major Non-Cash Transaction

On 22 February 2013, the Company issued 446,000,000 new ordinary 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 28(b).

39. Information about the Statement of Financial Position of the Company

	2014 HK$'000	2013 HK$'000
Non-current assets		
Investments in subsidiaries	**402,128**	501,053
Amounts due from subsidiaries	**181,972**	209,003
	584,100	710,056
Current assets		
Other receivables and payables	**1,136**	2,632
Bank balances	**35,668**	63,162
	36,804	65,794
Current liabilities		
Other payables and accruals	**2,972**	3,416
Net current assets	**33,832**	62,378
Net assets	**617,932**	772,434
Capital and reserves		
Share capital (see note 28)	**25,650**	25,650
Reserves	**445,272**	623,676
Total equity	**470,922**	649,326
Non-current liability		
Convertible bonds	**147,010**	123,108
	617,932	772,434

39. Information about the 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 2013	14,400	389,589	–	566,079	(672,306)	297,762
Profit for the year	–	–	–	–	46,429	46,429
Exchange difference arising on translation of presentation currency	–	–	17,360	–	–	17,360
Total comprehensive income for the year	–	–	17,360	–	46,429	63,789
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**	**(349,873)**	**649,326**
Loss for the year	**–**	**–**	**–**	**–**	**(46,600)**	**(46,600)**
Exchange difference arising on translation of presentation currency	**–**	**–**	**(131,804)**	**–**	**–**	**(131,804)**
Total comprehensive expense for the year	**–**	**–**	**(131,804)**	**–**	**(46,600)**	**(178,404)**
At 31 December 2014	**25,650**	**822,927**	**(114,444)**	**133,262**	**(396,473)**	**470,922**

40. Particulars of Subsidiaries of the Company

Particulars of the Company's subsidiaries as at 31 December 2014 and 2013 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		
		2014	2013	**2014**	2013	**2014**	2013	
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
GPL	The BVI	**US$100**	US$100	**100%**	100%	**–**	–	Investment holding
Goodtop Institute of Tin Research Limited	The BVI	**USD1,000**	USD1,000	**– (note)**	100%	**–**	–	Inactive
L'sea Biological Resources Hong Kong Company Limited	Hong Kong	**HK$60**	HK$60	**–**	–	**100%**	100%	Investment holding
L'sea Biological Project (Changsha) Limited	The PRC	**HK$5,000,000**	HK$5,000,000	**–**	–	**100%**	100%	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
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%**	100%	Inactive
Wise Up Investment Limited	Hong Kong	**HK$1,000**	HK$1,000	**–**	–	**100%**	100%	Investment holding
Yunnan Tin Hong Kong (Holding) Group Co., Limited	Hong Kong	**HK$10,000**	HK$10,000	**–**	–	**82%**	82%	Investment holding
YTPAH	Australia	**AUD1**	AUD1	**–**	–	**82%**	82%	Exploration, development and mining of tin ores in Australia

Wholly foreign owned enterprise registered in the PRC.

Note: The Company was dissolved on 11 November 2014.

40. 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	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
YTHK and its subsidiary	Hong Kong/ Australia	**18%**	18%	**(20)**	(19,930)	**(389)**	(404)
Individual immaterial subsidiaries with non-controlling interests				**–**	(1,125)	**–**	–
				(20)	(21,055)	**(389)**	(404)

Summarised financial information for the years ended 31 December 2014 and 2013 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.

40. Particulars of Subsidiaries of the Company (Continued)

YTHK and its subsidiary (YTPAH)

	2014 HK$'000	2013 HK$'000
Total assets	**697,992**	688,490
Total liabilities	**(700,153)**	(690,734)
Total equity	**(2,161)**	(2,244)
Revenue	**497,281**	466,650
Expenses	**(497,390)**	(577,372)
Loss for the year	**(109)**	(110,722)
Other comprehensive income (expense) for the year	**195**	(7,344)
Total comprehensive income (expense) for the year	**86**	(118,066)
Loss for the year attributable to		
— the owners of the Company	**(89)**	(90,792)
— non-controlling interests of YTHK	**(20)**	(19,930)
Loss for the year	**(109)**	(110,722)
Other comprehensive income (expense) for the year attributable to		
— the owners of the Company	**160**	(6,022)
— non-controlling interests of YTHK	**35**	(1,322)
Other comprehensive income (expense) for the year	**195**	(7,344)
Total comprehensive income (expense) for the year attributable to		
— the owners of the Company	**71**	(96,814)
— non-controlling interests of YTHK	**15**	(21,252)
Total comprehensive income (expense) for the year	**86**	(118,066)
Net cash inflow from operating activities	**105,320**	139,558
Net cash outflow from investing activities	**(44,677)**	(71,356)
Net cash outflow from financing activities	**(876)**	(63,284)
Net cash inflow	**59,767**	4,918

FIVE YEARS FINANCIAL SUMMARY

Results

	Year ended 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	207,350	586,912	399,261	446,650	**497,281**
(Loss) profit attributable to owners of the Company	(12,756)	(733,490)	(236,820)	80,266	**(23,465)**

Assets and Liabilities

	As at 31 December				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	549,972	1,184,133	1,038,607	763,466	**735,111**
Total liabilities	(51,690)	(729,623)	(849,773)	(287,031)	**(319,273)**
Total equity	498,282	454,510	188,834	476,435	**415,838**