Interim Report
2015

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)

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. NIE Dong
Mr. CHEUNG Wai Kuen
Dr. SHI Simon Hao
(re-designated to executive director on 1 April 2015)
Mr. WANG Chuanhu

Independent Non-executive Directors

Mr. CHI Chi Hung, Kenneth
Mr. DENG Shichuan
Mr. James MUNN

Company Secretary

Mr. WONG Tak Shing

Authorised Representatives

Mr. NIE Dong
Mr. WONG Tak Shing

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

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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

Management Discussion and Analysis

Business Overview

In the first half of 2015, the tin price suffered a persistent downtrend under the sluggish global economic growth, weakening commodities prices as well as the additional supply of tin metals from Myanmar. During the review period, tin price reached at its highest at USD19,725 per tonne in early January, and fell to its lowest at USD13,975 per tonne at the end of June.

The unaudited consolidated revenue of L'sea Resources International Holdings Limited (the "Company") together with its subsidiaries (collectively as the "Group") for the six months ended 30 June 2015 amounted to approximately HK$172,279,000 (30 June 2014: approximately HK$241,066,000), a decrease of 28.5%. The Group had a gross loss of approximately HK$2,856,000 (30 June 2014: a gross profit of approximately HK$27,657,000) with gross loss margin at approximately 1.7% (30 June 2014: a gross profit margin at approximately 11.5%). The gross loss was caused by the significant drop of tin price during the period. The Group's loss for the period amounted to approximately HK$125,298,000 (30 June 2014: loss for the period of approximately HK$22,085,000). The loss for the period was mainly due to the slump of tin price that leading to an impairment loss of approximately HK$145,438,000.

Benefiting from the adjustment and optimisation in mining, mine blending, processing and other production processes, efficiency of production and operation of Renison underground mine has been heaved steadily. The total tin production at the mine from January to June 2015 was 3,282 tonnes (January to June 2014: 3,096 tonnes), representing an increase of approximately 6.0%. With emphasis on environmental protection, health and safety, performance of contractors and production quality control, the management team of Renison underground mine has made strenuous efforts to make continuous improvement in these areas.

During the period under review, USD against AUD rose by nearly 6.3%. Since the Group's sales revenue of tin concentrates was denominated in USD, while the operating costs of the Renison underground mine were settled in AUD, the depreciation of AUD against USD had a positive effect on the Group's operating cash flow.

On 2 August 2015, a seismic event was recorded at Renison underground mine. There were no injuries or damage to equipment. Inspections had been carried out by Renison underground mine's staff and the relevant authorities. Mining activities had recommenced in three of the four underground production areas and further assessments were underway to reobtain access to the South Renison District. Work was underway to minimise the impact on production. As a result of the seismic event, there was a loss of approximately five days' processing production.

Business Overview (Continued)

Looking forward, we believe that the commodity market and foreign exchange market will remain uncertain. To cope with current operating conditions of low tin price, the Australian joint venture has strived to enhance efficiency of mining, mine blending, processing and other production processes, to make best utilization of existing resources and to lower the production and operating costs, to benefit the operating status of the Group.

Management Agreement

Prior to the completion of the acquisition of Parksong Mining and Resource Recycling Limited ("Parksong") by the Group, an agreement dated 1 December 2010 was signed by Mr. Chan Kon Fung purportedly on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") with YTATR (a subsidiary of Yunnan Tin Group (Holding) Company Limited ("Yunnan Tin PRC")) in relation to the engagement of YTATR for the provision of certain production and operation management services for the Renison Tin Project. The Group has been disputing the validity of such agreement and does not admit that such agreement is binding on 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 the matters in relation to such agreement, YTPAH is now negotiating with YTATR for a new management agreement.

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 new management agreement, if materialized, will constitute connected transaction and 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.

Litigation

HCA 1357/2011

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

GPL and the Company were named as defendants in a writ of summons with a Statement of Claim dated 11 August 2011 filed by Mr. Chan. Under the Statement of Claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK$89,870,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their defence and counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement ("Payables"); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to a Hong Kong company ("HK Company"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) in breach of the Parksong S&P Agreement, Mr. Chan has unilaterally caused an Australian subsidiary of HK Company 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$169,401,000 in total) and damages etc.

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

Litigation (Continued)

HCA 1357/2011 (Continued)

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

For the AUD16.3 Million Issue, from June to December 2013, GPL and the Company had made and dealt with applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information. In July 2014, GPL and the Company made application to amend AD&C including the AUD16.3 Million Issue. An application for joinder of parties was also made in July 2014. Further, an application for expert evidence ("the said Expert Evidence Application") on various issues (as mentioned below) including the AUD16.3 Million Issue was made in August 2014. Meanwhile, GPL and the Company also sought confirmation from Yunnan Tin PRC, a shareholder of HK Company, on the AUD16.3 Million Issue. Yunnan Tin PRC in July 2015 replied that Yunnan Tin PRC had contributed a loan of AUD16.3 million to HK Company. In June 2015, Mr. Chan also made application to amend AR&DC on the AUD16.3 Million Issue.

For the issue on production shortfall, compensation is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual figures of tin production were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively by Parksong's advisor, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for production shortfalls are in sum of approximately AUD3,284,000, AUD650,000 and AUD1,021,000 respectively (approximately of HK$29,406,000 in total). Under the said Expert Evidence Application, GPL and the Company also submitted applications for expert evidence on the amount of compensation on production shortfall.

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

After an initial hearing on 19 December 2014 and hearings of Mr. Chan's application for AR&DC amendment on 28 and 29 July 2015, further hearings on various applications (namely, on the amendment of AD&C by GPL and the Company, the joinder of parties and the said Expert Evidence Application) have been adjourned and are to be rescheduled.

The legal proceedings are now being considered with these additional evidence and related investigation and development. GPL is now making re-assessment on Mr. Chan's Claim and the compensation to be sought under the counterclaims of GPL and the Company, including the amount on the Payables and the compensation for production shortfall. The AD&C shall be further revised and updated in due course if and when advised by the Group's legal team.

Financial Review

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2015 amounted to approximately HK$172,279,000 (30 June 2014: approximately HK$241,066,000), a decrease of 28.5% when compared to the same period of last year. The Group's revenue decreased due to tin price decreased significantly during the period.

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$175,135,000 for the six months ended 30 June 2015 (30 June 2014: approximately HK$213,409,000), representing approximately 101.7% of the revenue recorded in the corresponding period (last period: approximately 88.5%). The decrease in cost of sales was mainly due to the decrease in depreciation and amortization rate on mining property and mining rights as a result of the reported substantial increase in reserve as at 30 June 2015.

Gross (loss) profit

The Group had a gross loss of approximately HK$2,856,000 (30 June 2014: a gross profit of approximately HK$27,657,000) with gross loss margin at 1.7% for the six months ended 30 June 2015 (30 June 2014: gross profit margin approximately 11.5%).

Other gains and losses

The Group recorded other losses of approximately HK$136,358,000 for the six months ended 30 June 2015 (30 June 2014: other gains of approximately HK$816,000). The losses was mainly due to respective impairment losses of HK$65,764,000, HK$28,700,000 and HK$50,974,000 on mining related property, plant and equipment, mining rights and exploration and evaluation assets allocated to the cash generating unit ("CGU") of the Renison underground mine during the said period.

Administrative expenses

Administrative expenses, which represented approximately 11.7% of the Group's revenue, decreased by approximately 36.4% from approximately HK$31,582,000 for the six months ended 30 June 2014 to approximately HK$20,098,000 for the six months ended 30 June 2015, mainly due to decrease in legal fee related to "Litigation" as disclosed under Management Discussion and Analysis section of this report.

Finance costs

Finance costs representing approximately 8.3% of the Group's revenue in this period, increased from approximately HK$11,979,000 for the six months ended 30 June 2014 to approximately HK$14,384,000 for the six months ended 30 June 2015.

Liquidity and Financial Resources

The Group financed its operations through internally generated cash flows and borrowings. As at 30 June 2015, the Group did not have any bank facilities but had obligation under finance lease of HK$288,000 (31 December 2014: HK$526,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 51.8% as at 30 June 2015 (31 December 2014: 43.4%).

As at 30 June 2015, the Group had net current liabilities of approximately HK$72,134,000 (31 December 2014: net current assets of approximately HK$102,158,000). Current ratio as at 30 June 2015 was 0.7 (31 December 2014: 1.8). The bank and cash balance of the Group as at 30 June 2015 was HK$139,379,000 (31 December 2014: approximately HK$164,999,000).

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

In addition, the Company has outstanding convertible bonds with principal amount of HK$176,400,000 as at 30 June 2015, which will mature and be redeemable by the bondholder on 3 March 2016 at par. Besides negotiation with the bondholder, the Company may consider appropriate fund raising activities to fulfil the obligation.

During the period, 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 dated 13 July 2010, part of the consideration was settled by the issuance of convertible bonds. On the completion date, being 4 March 2011, the Company issued zero-coupon convertible bonds with principal amount of HK$773,500,000 with maturity of five years. Since 6 March 2013, the outstanding principal amount of convertible bonds has been 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.

Convertible Bonds (Continued)

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

Charges of Assets

As at 30 June 2015, our obligation under finance lease of HK$288,000 (31 December 2014: HK$526,000) was secured by property, plant and equipment of an amount of approximately HK$602,000 (31 December 2014: approximately HK$794,000).

Contingent Liabilities

As at 30 June 2015, except for the litigations as set out in the Management Discussion and Analysis section of this report, the Group did not have any significant contingent liabilities.

Capital Commitments

The Group had approximately HK$2,590,000 capital commitment as at 30 June 2015 (31 December 2014: approximately HK$1,600,000).

Significant Investments

For the six months ended 30 June 2015, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$30,800,000 (31 December 2014: approximately HK$51,366,000).

Interim Dividend

The board ("Board") of directors ("Directors") has resolved not to declare an interim dividend for the six months ended 30 June 2015 (30 June 2014: Nil).

Material Acquisition and Disposal

There was no material acquisition and disposal during the six months ended 30 June 2015.

Share Option Scheme

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

There is no share option granted or outstanding during the six months ended 30 June 2015.

Employees and Remuneration Policy

As at 30 June 2015, the Group employed 28 employees (31 December 2014: 30). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-owned retirement benefit scheme in the People's Republic of China ("PRC"). The employees for mining operation are employed by Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV") on behalf of 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.

The remuneration policy of the Group seeks to provide fair market remuneration in a form and value to attract, retain and motivate the staff of the Group. The Remuneration Committee (the "RC") was established to review and determine specific remuneration packages for each Director and senior management of the Company by reference to corporate goals and objectives. The RC also ensured that no Director or senior management member determined his own remuneration. The RC will make recommendations to the Board on the remuneration packages of individual Director and senior management, which include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.

Mines Information

Renison Tin Project

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

Drilling/Informing Data

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

Renison Tin Project (Continued)

Drilling/Informing Data (Continued)

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

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

Sampling/Assaying

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

Samples are dried at 90˚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 X-Ray fluoresce. This preparation has been proven to be appropriate for the style of mineralization being considered.

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

Geology/Geological Interpretation

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

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

Renison Tin Project (Continued)

Database

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

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

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

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

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

Tonnage estimates are dry tonnes.

Renison Tin Project (Continued)

Cut-Off Grade

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

Metallurgical and Mining Assumptions

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

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

Classification

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

In general measured material has been operationally developed, Indicated material is drilled to 40m centers in the south of the mine and 25m centers in the north of the mine, while Inferred material is drilled at greater spacing's.

Estimated Tin and Copper Reserves and Resources

For the six months ended 30 June 2015, 116 core holes with NQ2 for 11,226 meters of core holes in total has been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

Renison Tin Project (Continued)

Estimated Tin and Copper Reserves and Resources (Continued)

As of 30 June 2015, the JORC compliant resources and reserves of Renison underground mine are categorized as follows:

Upgraded Resource and Reserve Estimates for Renison Underground Mine as at 30 June 2015

CATEGORY	TIN			COPPER		
	Tonnage (kt)	Grade (%Sn)	Sn Metal (t)	Tonnage (kt)	Grade (%Cu)	Sn Metal Cu (t)
Resources						
Measured	1,225	1.94	23,763	1,148	0.55	6,293
Indicated	8,276	1.43	118,118	7,746	0.31	24,109
Inferred	3,374	1.36	45,793	3,117	0.29	9,015
Total	12,875	1.46	187,674	12,011	0.33	39,417
Reserves						
Proven	1,313	1.60	21,007	1,313	0.43	5,695
Probable	5,360	1.22	65,214	5,038	0.25	12,424
Total	6,673	1.29	86,221	6,351	0.28	18,119

During the period under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison underground mine. 617 meters of capital waste, 667 meters of capital decline and 1,648 meters of sill development were advanced during the period. 3,282 tonnes of tin metal was produced from Renison underground mine and 0 tonne from Mount Bischoff, and processed ores averaging 1.41% Sn. No development or recovery production activities were carried out for Rentails.

Renison Tin Project (Continued)

Estimated Tin and Copper Reserves and Resources (Continued)

For the six months ended 30 June 2015, a total of approximately HK$31,723,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the six months ended 30 June 2015

Included	HK$'000
Mining costs	190,259
Processing costs	70,233
Transportation	2,028
Royalties/fee payable to government	2,879
Financing costs	243

Capital Expenditure for the six months ended 30 June 2015

Addition	HK$'000
Property, Plant and Equipment	30,762
Exploration and Evaluation Assets	961
Total	31,723

Renison Tin Project (Continued)

Estimated Tin and Copper Reserves and Resources (Continued)

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

Total Resource and Reserve Estimates as at 30 June 2015

	TIN			COPPER		
CATEGORY	**Tonnage** (kt)	**Grade** (%Sn)	**Sn Metal** (t)	**Tonnage** (kt)	**Grade** (%Cu)	**Cu Metal** (t)
Resources						
Renison underground mine	12,875	1.46	187,674	12,011	0.33	39,417
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	21,841	0.45	97,809	21,841	0.22	48,181
Total	36,383	0.81	294,464	33,852	0.26	87,598
Reserves						
Renison underground mine	6,673	1.29	86,221	6,351	0.28	18,119
Mount Bischoff	—	—	—	—	—	—
Rentails	20,965	0.45	93,863	20,965	0.22	46,293
Total	27,638	0.65	180,084	27,316	0.24	64,412

The above information is extracted from a Mineral Resources report and Ore Reserve estimate report compiled by BMTJV technical employees under the supervision of Mr. Colin Carter, who is a member of the Australian Institute of Geoscientists and Mr. Allan King B App Sc (Mining Engineering), M.AusIMM respectively.

Renison Underground Mine

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

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

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

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

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital has been estimated to be approximately AUD213 million +/–15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin PRC's production plants in the PRC in late April of 2013, has in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the six months ended 30 June 2015, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

Other Information

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 six months ended 30 June 2015.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Board, the Board confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the six months ended 30 June 2015.

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.

Continuing Connected Transactions (Continued)

(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.

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

As at 30 June 2015, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code in the Listing Rules.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

Save as disclosed below, the Company had not been notified of any other person who had an interest or short position in the shares and underlying shares of the Company. The register required to be kept under section 336 of the SFO shows that as at 30 June 2015, 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%
China Precious Metal Resources Holdings Co., Ltd *(Note 1)*	Corporate	1,464,740,000	28.56%
Munsun Asset Management (Asia) Limited *(Note 2)*	Investment Manager	1,464,740,000	28.56%
Munsun Umbrella Trust-Munsun Stable Growth Fund (of which TMF (Cayman) Ltd. acts as Trustee) ("Munsun Umbrella")	Trustee	849,710,000	16.57%

Notes:

(1) China Precious Metal Resources Holdings Co., Ltd. acquired Munsun Asset Management (Asia) Limited on 1 April 2015.

(2) 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 13,050,000 shares and 594,920,000 shares respectively. In addition, Munsun Asset Management (Asia) Limited also acted as the general partner and investment manager of Munsun Umbrella and Munsun China Opportunity Investment Fund, which were respectively interested in 849,710,000 shares and 7,060,000 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.

Review of Interim Report

The audit committee of the Company (the "Audit Committee") has reviewed the Group's interim results for the six months ended 30 June 2015. The Audit Committee comprises all of the three independent non-executive directors ("INEDs"), namely Mr. Chi Chi Hung, Kenneth (Chairman), Mr. Deng Shichuan and Mr. James Munn.

Corporate Governance Code

In the opinion of the Directors, save and except the deviation disclosed herein below, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to Listing Rules during the six months ended 30 June 2015.

Pursuant to Code Provision A.2.1 of the Code, the role of Chairman and Chief Executive should be separate and should not be performed by the same individual. Since the resignation of former Chairman Mr. Chen Zhenliang, the position of chairman has remained vacant and the Company is in the process of selecting a suitable candidate to fill the vacancy. In the meantime, 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 shall only comprise INEDs; 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, INEDs 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, Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan and Mr. James Munn could not attend the annual general meeting of the Company held on 29 May 2015.

Compliance with 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 six months ended 30 June 2015.

By the Order of the Board
L'sea Resources International Holdings Limited
NIE Dong
Executive Director and Chief Executive Officer

Hong Kong, 26 August 2015

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
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To the Board of Directors of L'sea Resources International Holdings Limited

Introduction

We have reviewed the condensed 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 27 to 42, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to note 1 to the condensed consolidated financial statements which indicates that the Group incurred a net loss of approximately HK$125,298,000 for the six-month period ended 30 June 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$72,134,000. These conditions, along with other matters as set forth in note 1 to the condensed consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The condensed consolidated financial statements do not include any adjustments should the Company be unable to implement any of the measures as described in note 1 to the condensed consolidated financial statements before the maturity date of the Company's convertible bonds.

We further draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2014 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 August 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	**Six months ended 30.6.2015 HK$'000 (unaudited)**	30.6.2014 HK$'000 (unaudited)
Revenue	*3*	**172,279**	241,066
Cost of sales		**(175,135)**	(213,409)
Gross (loss) profit		**(2,856)**	27,657
Interest income		**420**	420
Other income		**1,044**	76
Other gains and losses	*5*	**(136,358)**	816
Administrative expenses		**(20,098)**	(31,582)
Finance costs	*6*	**(14,384)**	(11,979)
Loss before taxation		**(172,232)**	(14,592)
Taxation credit (expense)	*7*	**46,934**	(7,493)
Loss for the period	*8*	**(125,298)**	(22,085)
Other comprehensive (expense) income for the period:			
Item that will not be reclassified to profit or loss:			
— Exchange differences arising on translation to presentation currency		**(20,222)**	27,943
Total comprehensive (expense) income for the period		**(145,520)**	5,858
(Loss) profit for the period attributable to:			
Owners of the Company		**(101,994)**	(32,432)
Non-controlling interests		**(23,304)**	10,347
		(125,298)	(22,085)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(122,739)**	(4,771)
Non-controlling interests		**(22,781)**	10,629
		(145,520)	5,858
Loss per share	*10*		
Basic and diluted (HK cents)		**(1.99)**	(0.63)

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	148,634	216,261
Mining rights	11	63,054	88,078
Exploration and evaluation assets	11	111,992	186,268
Deposits		12,234	13,044
Deferred tax assets		19,247	—
		355,161	503,651
Current assets			
Inventories		17,217	17,194
Trade receivables	13	33,493	36,431
Other receivables, prepayments and deposits		8,491	8,352
Held-for-trading investments	14	6,768	4,484
Tax recoverable		486	—
Bank balances and cash		139,379	164,999
		205,834	231,460
Current liabilities			
Trade payables	15	29,008	31,129
Other payables, deposits received and accrual		86,123	92,185
Amount due to a non-controlling shareholder of a subsidiary		—	4,283
Amount due to a related company		1,183	1,179
Obligations under finance leases		288	526
Convertible bonds		161,366	—
		277,968	129,302
Net current (liabilities) assets		(72,134)	102,158
Total assets less current liabilities		283,027	605,809

Condensed Consolidated Statement of Financial Position

(Continued)

As at 30 June 2015

	Notes	**30.6.2015 HK$'000 (unaudited)**	31.12.2014 HK$'000 (audited)
Capital and reserves			
Share capital	*16*	**25,650**	25,650
Reserves		**267,838**	390,577
Equity attributable to owners of the Company		**293,488**	416,227
Non-controlling interests		**(23,170)**	(389)
Total equity		**270,318**	415,838
Non-current liabilities			
Deferred taxation		**—**	28,442
Convertible bonds		**—**	147,010
Provision for rehabilitation		**12,709**	14,519
		12,709	189,971
		283,027	605,809

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Other reserve HK$'000	Convertible bonds equity reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014 (audited)	25,650	822,927	(42,029)	7,800	(1,280)	133,262	(469,491)	476,839	(404)	476,435
Profit (loss) for the period	—	—	—	—	—	—	(32,432)	(32,432)	10,347	(22,085)
Other comprehensive income for the period	—	—	27,661	—	—	—	—	27,661	282	27,943
Total comprehensive (expense) income for the period	—	—	27,661	—	—	—	(32,432)	(4,771)	10,629	5,858
At 30 June 2014 (unaudited)	25,650	822,927	(14,368)	7,800	(1,280)	133,262	(501,923)	472,068	10,225	482,293
At 1 January 2015 (audited)	**25,650**	**822,927**	**(79,176)**	**7,800**	**(1,280)**	**133,262**	**(492,956)**	**416,227**	**(389)**	**415,838**
Loss for the period	—	—	—	—	—	—	**(101,994)**	**(101,994)**	**(23,304)**	**(125,298)**
Other comprehensive (expense) income for the period	—	—	**(20,745)**	—	—	—	—	**(20,745)**	**523**	**(20,222)**
Total comprehensive expense for the period	—	—	**(20,745)**	—	—	—	**(101,994)**	**(122,739)**	**(22,781)**	**(145,520)**
At 30 June 2015 (unaudited)	**25,650**	**822,927**	**(99,921)**	**7,800**	**(1,280)**	**133,262**	**(594,950)**	**293,488**	**(23,170)**	**270,318**

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**11,180**	36,867
Interest received	**420**	420
Purchase of property, plant and equipment	**(30,762)**	(28,130)
Proceeds a disposal of property, plant and equipment	**—**	76
Exploration and evaluation expenditure incurred	**(961)**	(4,697)
Net cash used in investing activities	**(31,303)**	(32,331)
Interest paid	**(28)**	(28)
Repayment to non-controlling shareholder of a subsidiary	**(4,106)**	—
Repayment of obligation under finance leases	**(207)**	(207)
Net cash used in financing activities	**(4,341)**	(235)
Net (decrease) increase in cash and cash equivalents	**(24,464)**	4,301
Effect of foreign exchange rate changes	**(1,156)**	13,305
Cash and cash equivalents at 1 January	**164,999**	122,169
Cash and cash equivalents at 30 June		
Bank balances and cash	**139,379**	123,986

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. General and Basis of Preparation

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 interim report.

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The functional currency of the Company is Australian Dollar ("AUD"). These condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$") as the directors of the Company consider that HK$ is the appropriate presentation currency since the shares of the Company are listed on the Stock Exchange.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK$125,298,000 during the six-month ended 30 June 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK$72,134,000. In addition, the Company has outstanding convertible bonds with principal amount of HK$176,400,000 as at 30 June 2015, which will mature and be redeemable by the bondholder on 3 March 2016 at par (the "Maturity of the Convertible Bonds").

1. General and Basis of Preparation (Continued)

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

1. On 29 April 2015, the Company and Beijing Cybernaut Green-Tech Investment Management Limited* (the "Proposed Subscriber"), a third party independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules), have entered into a non-binding memorandum of understanding setting out the preliminary understandings in relation to the possible subscription by the Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Proposed Subscriber as designated by it) for not less than 6,000,000,000 new ordinary shares of the Company at a tentative price of HK$0.25 per share or convertible bonds of equivalent value to be issued by the Company (the "Possible Subscription"). Details of the Possible Subscription are disclosed in the Company's announcement dated 29 April 2015.

2. The Group is actively negotiating with the holder of the outstanding convertible bonds of the Company for an extension of the maturity date of the convertible bonds for a further six months to September 2016.

The directors of the Company believe that the Company will be able to implement the necessary measures before the Maturity of the Convertible Bonds and accordingly, the Group will have sufficient working capital to finance its operations and to meet its financial obligations, including but not limited to the Company's outstanding convertible bonds as at 30 June 2015, as and when they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

* *For identification purpose only*

2. Significant Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2015 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2015.

The directors of the Company consider that the application of the new and revised HKFRSs have no material impact on these condensed consolidated financial statements.

3. Revenue

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

4. Segment Information

The executive directors of the Company have been identified as chief operating decision makers. The executive directors of the Company 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. Accordingly, the executive directors of the Company review the condensed consolidated financial statements for resources allocation and assessment purpose.

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

Revenue from major product

The Group's revenue is from the sales of tin concentrate being the Group's single product for both interim periods.

5. Other Gains and Losses

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**—**	23
Impairment loss recognised on property, plant and equipment	**(65,764)**	(3,911)
Impairment loss recognised on mining rights	**(28,700)**	—
Impairment loss recognised on exploration and evaluation assets	**(50,974)**	—
Fair value change of held-for-trading investments	**2,284**	(3,657)
Net foreign exchange gain	**6,796**	8,361
	(136,358)	816

6. Finance Costs

	Six months ended	
	30.6.2015	30.6.2014
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Interests on:		
obligations under finance leases wholly repayable within five years	**28**	28
effective interest on convertible bonds	**14,356**	11,951
	14,384	11,979

7. Taxation Credit (Expense)

	Six months ended 30.6.2015 HK$'000 (unaudited)	30.6.2014 HK$'000 (unaudited)
Deferred tax credit (expense)	**46,934**	(7,493)

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

8. Loss for the Period

	Six months ended 30.6.2015 HK$'000 (unaudited)	30.6.2014 HK$'000 (unaudited)
Loss for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**175,135**	213,409
Depreciation of property, plant and equipment	**20,717**	27,240
Amortisation of mining rights	**5,376**	10,609
Operating lease rentals in respect of rented premises	**1,071**	1,496
Staff costs (including directors' emoluments)	**8,768**	6,557

9. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

10. Loss per Share

The calculation of the basic loss per share for each of the six months ended 30 June 2015 and 2014 is based on the consolidated loss attributable to the owners of the Company for the respective periods:

	2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Loss for the purpose of basic loss per share:		
Loss for the period attributable to owners of the Company	**(101,994)**	(32,432)

	'000	'000
Weighted average number of ordinary shares for the purposes calculating basic loss per share	**5,130,000**	5,130,000

The incremental shares from assumed conversion of convertible bonds are excluded in the calculating the diluted earnings per share for the six months ended 30 June 2015 and 2014 as the effect of which would decrease the loss per share in both periods.

11. Property, Plant and Equipment, Mining Rights and Exploration and Evaluation Assets

Property, plant and equipment

During the six months ended 30 June 2015, Group had additions to the property, plant and equipment amounted to approximately HK$30.8 million (six months ended 30 June 2014: HK$28.1 million).

Mining rights and Exploration and evaluation assets

During the six months ended 30 June 2015, the Group had additions to exploration and evaluation assets amounted to approximately HK$1 million (six months ended 30 June 2014: HK$4.7 million).

During the six months ended 30 June 2015, exploration and evaluation assets of approximately HK$14.1 million (six months ended 30 June 2014: HK$45.3 million) were transferred to mining rights.

12. Impairment Testing on the Cash Generating Unit of the Renison Underground Mine

In view of significant decline in tin price during the current period, which is an impairment indicator on mining-related property, plant and equipment, mining rights and exploration and evaluation assets, the management performed an impairment test on these assets as at 30 June 2015.

For the purposes 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 assets have been considered as one cash generating unit ("CGU") as these assets are related to the Renison underground mine.

The recoverable amount of the CGU of approximately AUD53,842,000 (equivalent to approximately HK$319,531,000) as at 30 June 2015 was determined based on its fair value less cost of disposal. The management applied discounted cash flow method to assess the fair value less cost of disposal of the CGU. The discounted cash flow method was based on an effective discount rate of 17.6% 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 proved and probable reserves and applied a probability on the indicated resources. The aggregate amount of reserve and resources used in the projection is 7.60 million tonnes and it is assumed the mineral reserve is mined over 12 years at a rate of up to 0.64 million tonnes per annum. Such assumptions are based on the estimation provided by the management. The discount rate was estimated by using the capital asset pricing model with a risk free rate at 3.0%. Other key assumptions for the fair value calculation related to the estimation of cash inflows/outflows include AUD/USD forward exchange rate ranging from 1:0.680 to 1:0.763, forward price of tin of USD16,779 per tonne and production rate of 1.49% per tonne.

The recoverable amount of the CGU was lower than its carrying value as at 30 June 2015 by HK$145,438,000. Accordingly, impairment losses of approximately HK$65,764,000, HK$28,700,000 and HK$50,974,000 are allocated respectively to mining-related property, plant and equipment, mining rights and exploration and evaluation assets of the CGU based on their relative carrying values before impairment and are recognised in profit or loss for the period.

13. Trade Receivables

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Trade receivables	**33,493**	36,431

The Group allows a credit period of 10 days after mutual agreement on grade and weights of tin concentrates with the customer. At the end of the reporting period, the entire amount of the Group's trade receivables is due from a related party, Yunnan Tin Australia TDK Resources Pty Limited ("YTATR"), being a subsidiary of the non-controlling shareholder of a subsidiary of the Company.

The following is an aged analysis of trade receivables presented based on final invoice date at the end of the reporting period, which approximate the respective revenue recognition dates:

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
0–30 days	**33,493**	36,431

14. Held-For-Trading Investments

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
Equity securities listed in Hong Kong	**6,768**	4,484

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

During the six months ended 30 June 2015, a gain of HK$2,284,000 (2014: a loss of HK$3,657,000) in respect of the changes in fair value of held-for-trading investments was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

15. Trade Payables

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

	30.6.2015 HK$'000 (unaudited)	31.12.2014 HK$'000 (audited)
0–30 days	**23,574**	30,186
31–60 days	**4,885**	86
61–90 days	**34**	857
91–180 days	**515**	—
Total	**29,008**	31,129

16. Share Capital

	Number of Shares '000	**Share Capital** HK$'000
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2015 and 30 June 2015 (unaudited)	20,000,000	100,000
Issued:		
At 1 January 2015 and 30 June 2015 (unaudited)	5,130,000	25,650

There was no movement in the Company's share capital during the current interim period.

17. Capital Commitments

At the end of the reporting period, the Group's share of capital commitments of the 50% interest in certain mining projects ("JV Projects") located in Tasmania, Australia is as follows:

	30.6.2015 **HK$'000** **(unaudited)**	31.12.2014 HK$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of: — property, plant and equipment of the JV Projects	**2,590**	1,600

As at 30 June 2015 and 31 December 2014, YT Parksong Australia Holding Pty Limited, a non-wholly owned subsidiary of the Company, has provided a guarantee and indemnity to a finance lessor relating to the Group's obligations of finance leases. This guarantee and indemnity are given to such finance lessor jointly and severally with the joint venturer, Bluestone Mines Tasmania Pty Limited.

18. Related Party Transactions

During the six months ended 30 June 2015 and 2014, the Group had entered into the following significant transactions with a related party:

	30.6.2015 **HK$'000** **(unaudited)**	30.6.2014 HK$'000 (unaudited)
Sales to YTATR *(Note)*	**172,279**	241,066

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

(i) the London Metal Exchange 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.

19. Fair Value Measurement of Financial Instruments

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 the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 30.6.2015 HK$'000 (unaudited)	Fair value as at 31.12.2014 HK$'000 (audited)	Fair value hierarchy	Valuation technique and key input(s)
Investment in listed equity securities classified as held-for-trading investments in the condensed consolidated statement of financial position	**6,768**	4,484	Level 1	Quoted bid prices in an active market

20. Approval of the Condensed Consolidated Financial Statements

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 26 August 2015.