



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)

Annual Report
2015

Contents

2	Corporate Information
3	CEO Statement
5	Management Discussion and Analysis
21	Directors and Senior Management
24	Corporate Governance Report
34	Directors' Report
44	Independent Auditor's Report
46	Consolidated Statement of Profit or Loss and Other Comprehensive Income
47	Consolidated Statement of Financial Position
49	Consolidated Statement of Changes in Equity
50	Consolidated Statement of Cash Flows
52	Notes to the Consolidated Financial Statements
110	Five Years Financial Summary

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. NIE Dong

Mr. CHEUNG Wai Kuen

Mr. WANG Chuanhu

Dr. SHI Simon Hao

(re-designated from non-executive director to executive director on 1 April 2015)

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

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 2015.

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

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

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

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

In 2015, the Group oversaw mining contractors' mining plans and ore extraction performance through Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"). Moreover, BMTJV strengthened production site management and implemented regular equipment inspections to ensure a normal and safe operation, it also provided safety trainings to mine workers in order to improve total production efficiency of the Renison underground mine. The Group's management will continually make efforts to improve the productivity and efficiency of the Renison underground mine in the future.

After the termination of the mining contract on 31 March 2016, BMTJV will establish its own operation team. In order to ensure a smooth handover of the mining operation, the mining contract has been extended and will expire on 30 April 2016. Starting from May 2016, BMTJV's own operation team will perform all mining activities that are currently undertaken by the contractor. In order to ensure mining operation run normally, BMTJV will retain some experts of contractor and hire some staff to undertake the mining activities, and invest or lease some new equipment. The Group believes that the change of mining operation model will reduce its overall mining costs per tonne, and enhance the production efficiency of the Renison underground mine.

CEO Statement (Continued)

Looking to 2016, 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) Indonesia will continue to constrain tin export, and restrict the tin market supply. According to the latest data on 2015 tin export released by the Ministry of Trade of the Republic of Indonesia in December 2015, it was the first time since 2003 that below 70,000 tonnes of tin exports were recorded. According to records of International Tin Research Institute ("ITRI"), increasingly stringent regulations led to Indonesia's tin exports declined by more than 30% in the last three years. The tightening tin export regulations by Indonesia is expected to affect the global tin supply pattern and thus boost tin price.
- (2) China's 9 major manufacturers of tin production announced that they would reduce their combined production of tin metal by 17,000 tonnes in response to adverse market conditions, and suggested government to take measure of purchasing and storing tin metal. According to ITRI's reports, the tin metal output of the 9 participating producers amounted to approximately 140,000 tonnes in 2015, which is 80% of China's domestic production of tin metal and 40% of the global production. The expected decrease in tin production from China's manufacturers and possible tin purchasing and storage actions by the government will have a positive impact on tin price.

The Renison underground mine 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.

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

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

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

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

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

In 2015, the Group oversaw mining contractors' mining plans and ore extraction performance through BMTJV. Moreover, BMTJV strengthened production site management and implemented regular equipment inspections to ensure a normal and safe operation. It also provided safety trainings to mine workers in order to improve total production efficiency of the Renison underground mine. The Group's management will continually make efforts to improve the productivity and efficiency of the Renison underground mine in the future.

The Company and Keenet International Investment Limited ("Keenet International") entered into a memorandum of understanding on 26 September 2014 (the "MOU") in respect of the acquisition of 49% equity interest in Yangzhou Perfect Co., Ltd. (揚州完美日用品有限公司). On 23 January 2015, the Company and Keenet International entered into a termination agreement (the "Termination Agreement") pursuant to which the Company and Keenet International have mutually agreed to terminate the discussion and negotiation in relation to the proposed acquisition and the MOU was terminated on the same date. Prior to the signing of the Termination Agreement, no definitive agreement in respect of the proposed acquisition had been entered into between the Company and Keenet International.

Management Discussion and Analysis (Continued)

PROSPECT

Looking to 2016, 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) Indonesia will continue to constrain tin export, and restrict the tin market supply. According to the latest data on 2015 tin export released by the Ministry of Trade of the Republic of Indonesia in December 2015, it was the first time since 2003 that below 70,000 tonnes of tin exports were recorded. According to records of International Tin Research Institute ("ITRI"), increasingly stringent regulations led to Indonesia's tin exports declined by more than 30% in the last three years. The tightening tin export regulations by Indonesia is expected to affect the global tin supply pattern and thus boost tin price.
- (2) China's 9 major manufacturers of tin production announced that they would reduce their combined production of tin metal by 17,000 tonnes in response to adverse market conditions, and suggested government to take measure of purchasing and storing tin metal. According to ITRI's reports, the tin metal output of the 9 participating producers amounted to approximately 140,000 tonnes in 2015, which is 80% of China's domestic production of tin metal and 40% of the global production. The expected decrease in tin production from China's manufacturers and possible tin purchasing and storage actions by the government will have a positive impact on tin price.

The Renison underground mine 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and promotes awareness towards environmental protection to its employees. The Group adheres to the principle of recycling and reducing. It implements green office practices such as double-sided printing and copying, promoting the use of recycled paper and reducing energy consumption by switching off idle lights and electrical appliances. The Group will review its environmental protection practices from time to time and will consider implementing more eco-friendly measures and practices in the operation of the Group's businesses to enhance environmental sustainability.

The operations of the Renison underground mine are subject to the relevant environmental protection legislations. The Renison underground mine holds various environmental licences issued under these laws to regulate its mining and exploration activities in Australia. These licenses include conditions and regulations in relation to limits on discharges into air, surface water and groundwater, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

All environmental protection performance obligations are monitored by the management of BMTJV and subjected from time to time to government agency's audits and site inspections. During the year ended 31 December 2015, there was no material breach of the Renison underground mine's licences by the Group and all mining and exploration activities were conducted in compliance with the relevant environmental protection regulations.

Management Discussion and Analysis (Continued)

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2015, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus the Group provides competitive remuneration packages to attract and motivate its employees. The Group regularly reviews the remuneration packages of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its business partners to achieve its long-term goals. Accordingly, the management of the Group has kept good communication, promptly exchanges ideas and shares business updates with them when appropriate. During the year ended 31 December 2015, there was no material and significant dispute between the Group and its business partners.

KEY RISKS AND UNCERTAINTIES

The Group's financial conditions, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but can turn out to be material in the future.

Market Risks

Market risk is the risk that adversely affects profitability or ability to meet business objectives arising from the movement in market prices, such as tin metal price, copper metal price and exchange rate. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign Exchange Risks

As the Group's assets and liabilities were mainly denominated in Hong Kong Dollars and Australian Dollars, in view of the potential fluctuations in the Australian Dollars exchange rate, the Group will continue to closely monitor the exposure and take appropriate actions when necessary.

Business Risks

Performance of the Group's principal activities will be affected by various factors, including but not limited to economic conditions, unforeseeable rock burst events at the Renison underground mine and the metal content of the ore, and the effect of such factors may not be mitigated even when the appropriate preventive or corrective measures are taken in response to the various events.

Management Discussion and Analysis (Continued)

Joint Venture Partner Risks

The principal activities of the Group are conducted through joint venture in which the Group shares control with the joint venture partner. There is no assurance that the joint venture partner will continue its relationship with the Group in the future or its goals or strategies will remain in line with the Group. The joint venture partner may have their own business interests or goals which are different from the Group. They may experience financial and other difficulties or may be unable to fulfill their obligations under the joint venture which may thereby affect the Group's business and operations.

FINANCIAL REVIEW

Revenue

The Group's audited consolidated revenue for the year ended 31 December 2015 amounted to approximately HK\$344,497,000 (2014: HK\$497,281,000), decreased by approximately of 30.7% from that of last year. The Group's revenue decreased due to tin price decreased significantly during the year.

Cost of sales

Cost of sales includes mainly direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK\$356,209,000 for the year ended 31 December 2015 (2014: HK\$468,625,000), representing 103.4% of the revenue recorded in the corresponding year (2014: 94.2%).

Gross (loss) profit

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

Administrative expenses

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

Finance costs

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

Loss for the year

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

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

PROPOSED SUBSCRIPTION

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

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

* English name for identification purpose only

Management Discussion and Analysis (Continued)

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

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

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

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 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 the Convertible Bonds was reduced to HK\$176,400,000.

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

Management Discussion and Analysis (Continued)

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

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

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

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

CHARGES OF ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2015, except for the litigations as set out in the litigations section of this report, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

The Group had HK\$603,000 capital commitment as at 31 December 2015 (2014: HK\$1,600,000).

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITION AND DISPOSAL

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

SHARE OPTION SCHEME

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

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

There is no share option granted or outstanding during the year ended 31 December 2015.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 28 employees (2014: 30). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-managed retirement benefit scheme in the People's Republic of China (the "PRC"). The employees for mining operation are employed by BMTJV on behalf of YT Parksong Australia Holding Pty Limited ("YTPAH") and Bluestone Mines Tasmania Pty Limited ("BMT"). These employees of BMTJV and the employees of YTPAH are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group continues to provide training facilities to the staff to enhance knowledge of industry quality standards.

Management Discussion and Analysis (Continued)

MINES INFORMATION

Renison Tin Project

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

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

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

Drilling 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.

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

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

Sampling/Assaying

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

Management Discussion and Analysis (Continued)

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 75µm. 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.

Database

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

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

Estimation and modelling techniques

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

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

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

Management Discussion and Analysis (Continued)

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

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

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

Tonnage estimates are dry tonnes.

Cut-Off Grade

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

Metallurgical and Mining Assumptions

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

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

Classification

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

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

Estimated Tin and Copper Reserves and Resources

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

Management Discussion and Analysis (Continued)

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

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

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

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

For the year ended 31 December 2015, a total of approximately HK\$54,611,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the year ended 31 December 2015

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

Management Discussion and Analysis (Continued)

Capital Expenditure for the year ended 31 December 2015

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

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

Total Resource and Reserve Estimates as at 31 December 2015

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

The above information is extracted from a Mineral Resources 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. The above information of the report is updated to its preparation date as at 30 June 2015, and the report will be updated annually. From 1 July 2015 to 31 December 2015, approximately 341,071 tonnes of tin ore were extracted from Renison underground mine.

Renison Underground Mine

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

Management Discussion and Analysis (Continued)

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

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

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital has been estimated to be approximately AUD213 million +/-15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin PRC production plants in the PRC in late April of 2013, had in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the year ended 31 December 2015, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

Renewal of mining lease

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

Mining arrangement

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

Management Discussion and Analysis (Continued)

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

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

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

LITIGATIONS

HCA 1357/2011

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

GPL and the Company were named as defendants in a writ of summons with a Statement of Claim dated 11 August 2011 filed by Mr. Chan. Under the Statement of Claim, Mr. Chan alleged that GPL and the Company have breached the Parksong S&P Agreement by failing to make payment of AUD15,143,422.44 (equivalent to approximately HK\$85,657,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement ("Payables"); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to a Hong Kong company ("HK Company"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) in breach of the Parksong S&P Agreement, Mr. Chan unilaterally caused an Australian subsidiary of HK Company, YT Parksong Australia Holding Pty Limited, to enter into a tin concentrate package purchase underwriting agreement and a management agreement with Yunnan Tin Australia TDK Resources Pty Ltd. for a period of life of the mine on 1 December 2010, without the consent of GPL; and (4) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK\$162,205,000 in total) and damages etc.

Management Discussion and Analysis (Continued)

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

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

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

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

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

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

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

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 48, has been an executive director of the Company since August 2012. Mr. Nie has also been 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 42, has been an executive director of the Company since December 2009. Mr. Cheung has been also a member of the Nomination Committee of the Company since March 2012. Mr. Cheung has over 11 years’ extensive experience in capital management and corporate management. Mr. Cheung has established a number of enterprises in various industries in the PRC since 1997, including property investment, hospital and trading business. Mr. Cheung is currently the chairman and executive director of Common Splendor International Health Industry Group Limited (Stock Code: 00286), a company listed on The Stock Exchange of Hong Kong Limited.

Mr. WANG Chuanhu (汪傳虎), aged 48, has been an executive director since April 2014. Mr. Wang graduated from North China University of Technology in 1987 and holds a bachelor degree in management from Beijing Municipal Committee of the CPC Party School in 1998. Prior to joining the Group, Mr. Wang has over 25 years’ extensive experience in design of large enterprises, investment and operational management in various industrial, construction and commercial sectors in The People’s Republic of China. Mr. Wang is currently the chief executive officer of L’sea International Holdings Limited.

Dr. SHI Simon Hao, aged 51, has been 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 16 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 of Munsun Global Mining Investment Fund II LP, which is interested in 492,200,000 shares of the Company.

Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chi Chi Hung, Kenneth (季志雄), aged 47, 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 23 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), Generic (Holdings) Limited (stock code: 542) and e-Kong Group Limited (stock code: 524), all these companies are listed on The Stock Exchange of Hong Kong Limited. He is also an independent non-executive director of each of Noble Century Investment Holdings Limited (stock code: 2322), and Perfect Shape (PRC) Holdings Limited (stock code: 1830), all these companies are listed on The Stock Exchange of Hong Kong Limited. He was an executive director of GET Holdings Limited (stock code: 8100) from July 2010 to June 2014, a non-executive director of China Sandi Holdings Limited (stock code: 910) from May 2010 to August 2015 and an independent non-executive director of each of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012, Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from January 2010 to August 2015, Silk Road Energy Services Group Limited (stock code: 8250) from December 2011 to November 2015 and Aurum Pacific (China) Group Limited (stock code: 8148) from March 2010 to October 2015, all these companies are listed on The Stock Exchange of Hong Kong Limited.

Mr. DENG Shichuan (鄧世川), aged 42, 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 寧夏辰隆房地產開發有限公司.

Mr. James MUNN (孟園), aged 59, 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 21 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.

Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. LAM Yiu Por (林曉波), aged 39, has been the head of investor relations since November 2013, and has been promoted as the vice president and 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 16 years of experience in the field of finance and accounting. Mr. Lam is currently a non-executive director of Zhong Ao Home Group Limited (stock code: 1538) and an independent non-executive director of Denox Environmental & Technology Holdings Limited (stock code: 1452), both companies which are listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of Yat Sing Holdings Limited (stock code: 3708) during the period of December 2014 to March 2016, 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 of Hong Kong Limited.

Mr. WONG Tak Shing (黃德盛), aged 53, 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 26 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) and Pa Shun Pharmaceutical International Holdings Limited (Stock Code: 00574), the companies are 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), these companies are 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 2015, 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. 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 (the “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’s Profile section on pages 21 to 23 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.

Corporate Governance Report (Continued)

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

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

Board Delegation

The Board delegates the authorities to the board committees and the senior management of the Company to provide professional advice and monitor the daily operation of the Group on issues which require discussion, expertise knowledge and experience to make the decision. The Three Committees 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 2015 were as follows:

Name of Directors	Number of meeting attended/number of meeting convened within the period of appointment for individual director					
	Board meeting	Remuneration committee meeting	Nomination committee meeting	Audit committee meeting	Annual General Meeting	Extra- Ordinary General Meeting
Executive directors						
Mr. CHEUNG Wai Kuen	8/13	N/A	0/0	N/A	0/1	0/1
Mr. NIE Dong	10/13	1/2	N/A	N/A	1/1	1/1
Mr. WANG Chuanhu	8/13	N/A	N/A	N/A	0/1	0/1
Dr. SHI Simon Hao (re-designated from NED to ED on 1 April 2015)	12/13	N/A	N/A	N/A	1/1	0/1
Independent non-executive directors						
Mr. CHI Chi Hung, Kenneth	8/13	2/2	0/0	2/2	0/1	1/1
Mr. DENG Shichuan	8/13	2/2	0/0	2/2	0/1	0/1
Mr. James MUNN	9/13	2/2	0/0	2/2	0/1	0/1

Corporate Governance Report (Continued)

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 Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan and Mr. James Munn, Mr. Chi, Mr. Deng and Mr. Munn did not attend the annual general meeting of the Company held on 29 May 2015.

Corporate Governance Report (Continued)

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 organised on 7 December 2015 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 2015 to 31 December 2015 according to the records kept by the Directors is as follows:

Directors	Type of trainings		
	Seminars and/or Conferences and/or forums	Corporate Events or visits	Reading
Executive Directors			
Mr. CHEUNG Wai Kuen	✓	✓	✓
Mr. NIE Dong	✓	✓	✓
Mr. WANG Chuanhu	✓	✓	✓
Dr. SHI Simon Hao (re-designated from NED to ED on 1 April 2015)	✓	✓	✓
Independent non-executive directors			
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.

Corporate Governance Report (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company entered a letter of appointment with each of INED for a term of three years. Please refer to page 36 for further details.

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 writing that, in respect of the year ended 31 December 2015, 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 31 December 2015. 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 recommending to the Board specific remuneration packages for each Director and senior management by reference to corporate goals and objectives, assessing performance of EDs and approving the terms of their service contracts. 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 2015, the RC had met 2 times to discuss the remuneration of Directors.

The details of the number of the RC meetings held during the year of 2015 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 25 of this corporate governance report.

Corporate Governance Report (Continued)

The Directors are remunerated with reference to their respective duties and responsibilities with the Company, the Company's performance and current market situation. In addition, the Group has adopted the share option scheme on 21 October 2008. Details of emoluments of the Directors from the Group for the year are as disclosed in note 11 to the consolidated financial statements.

NOMINATION COMMITTEE

Nomination Committee functions

The nomination committee of the Company (the "NC") was established on 30 March 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 revised on 31 December 2015. 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

Since 1 September 2013, the Board has adopted a board diversity policy. 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, 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.

Corporate Governance Report (Continued)

Nomination Committee meetings

During the year ended 31 December 2015, the NC had not met 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 2015 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 25 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 31 December 2015. 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 a 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 2015, the AC had met 2 times to discuss the following matters:

- to review the final results of the Group for the year ended 31 December 2014 prior to recommending them to the Board for approval;
- to review the interim results of the Group for the half year ended 30 June 2015 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 2015 prior to recommending them to the Board for approval and the Board had agreed with the AC's view on this matter;

Corporate Governance Report (Continued)

- 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 2015 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 25 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 2015 in conjunction with the Group's external auditors.

AUDITORS' REMUNERATION

During the year ended 31 December 2015, the Company engaged Deloitte Touche Tohmatsu as the external auditor of the Company to perform audit and non-audit services. The audit service fee was approximately HK\$1,910,000 and non-audit service fee for agreed upon procedures on preliminary annual results announcement, annual review of the Group's continuing connected transactions and review of the condensed consolidated financial statements was approximately HK\$470,000 for the year ended 31 December 2015.

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 laws, rules and regulations are followed. During the year ended 31 December 2015, the company secretary, Mr. Wong Tak Shing, 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 2015 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.

Corporate Governance Report (Continued)

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 2015, 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 2015, 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.

Corporate Governance Report (Continued)

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 on 27 April 2016. 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 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing corporate management services. Details of the principal activities and other particulars of the subsidiaries are set out in note 39 to the Consolidated Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46. The directors do not recommend the payment of a dividend for the year ended 31 December 2015.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the CEO's Statement as well as the Management Discussion and Analysis on pages 3 to 4 and pages 5 to 20 of this Annual Report. Discussions on the Group's relationships with its key stakeholders are also set out in the Management Discussion and Analysis on pages 5 to 20 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is set out in the Group's Five-year Financial Summary on page 110 of this Annual Report.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the members to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, 23 May 2016 to Friday, 27 May 2016, both days inclusive, during which period no transfer of shares of the Company will be registered. Members whose names appear on the register of members of the Company at the close of business on Friday, 20 May 2016 will be entitled to attend and vote at the annual general meeting. All transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's share register in Hong Kong, Tricor Investor Services Limited, at level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 16 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 2015.

Directors' Report (Continued)

DISTRIBUTABLE RESERVE OF THE COMPANY

As at 31 December 2015, the Company's reserves available for distribution to shareholders were as follows:

	HK\$'000
Share premium	822,927
Accumulated losses	(616,618)
	206,309

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' Report (Continued)

DIRECTORS

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

Executive Directors

Mr. NIE Dong

Mr. CHEUNG Wai Kuen

Mr. WANG Chuanhu

Dr. SHI Simon Hao

(re-designated from NED to ED on 1 April 2015)

Independent Non-executive Directors

Mr. CHI Chi Hung, Kenneth

Mr. DENG Shichuan

Mr. James MUNN

In accordance with the provisions of the Company's articles of association, Dr. Shi Simon Hao, Mr. Wang Chuanhu and Mr. Chi Chi Hung, Kenneth 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. The contract has been renewed with a term of three years commencing from 1 January 2016 until terminated by not less than six months' notice in writing served by either party on the other.

Each of Mr. Wang Chuanhu and Dr. Shi Simon Hao has respectively entered into a service contract with the Company for 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. Such contracts were revised on 1 January 2016 to the effect that the notice period required for terminating the contracts will be changed to 3 months.

Each of Mr. Chi Chi Hung, Kenneth, Mr. Deng Shichuan, Mr. James Munn and Mr. Cheung Wai Kuen has 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. Such contract were revised on 1 January 2016 to the effect that the notice period required for terminating the contracts will be changed to 3 months.

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' Report (Continued)

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

Save as disclosed below, as at 31 December 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 or Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long position in Shares

Name of Director	Nature of Interest	Number of shares held	Percentage of shareholding %
Cheung Wai Kuen (Note)	Corporate	571,480,000	11.14

As at 31 December 2015, Wright Source Limited, being a limited partner of Munsun Global Mining Investment Fund LP ("**Munsun Global**"), contributed more than one-third of the capital of Munsun Global and Munsun Global owned 100% of Munsun Global Mining Investment Fund II LP ("**Munsun Fund II**"). By virtue of the SFO, Mr. Cheung Wai Kuen being the holder of the entire issued share capital of Wright Source Limited, was deemed to be interested in the same parcel of Shares held by Munsun Fund II.

Directors' Report (Continued)

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 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%
Koo Yuen Kim	Personal	849,710,000	16.56%
Bank of America Corporation (Note 1)	Interest of Controlled Corporation	778,500,000	15.18%
MB Asia Real Estate Fund Holdings Pte Ltd. (Note 1)	Person having a security interest in shares	778,500,000	15.18%
Munsun Assets Management (Asia) Limited (Note 2)	Investment Manager	578,540,000	11.28%
Wright Source Limited (Note 3)	Interest of Controlled Corporation	571,480,000	11.14%

Note 1: MB Asia Real Estate Fund Holdings Pte Ltd. had security interests in 778,500,000 Shares. The group companies of Bank of America Corporation, which directly or indirectly controlled over one-third of the MB Asia Real Estate Fund Holdings Pte Ltd. are deemed to be interested in the same parcel of shares pursuant to the SFO.

Note 2: Munsun Asset Management (Asia) Limited, was the general partner and investment manager of Munsun Fund II. Munsun Fund II held 571,480,000 Shares. In addition, Munsun Asset Management (Asia) Limited also acted as the general partner and investment manager of Munsun China Opportunity Investment Fund, which was interested in 7,060,000 Shares.

Note 3: As at 31 December 2015, Wright Source Limited, being a limited partner of Munsun Global, contributed more than one-third of the capital of Munsun Global and Munsun Fund II. By virtue of the SFO, Wright Source Limited, was deemed to be interested in the same parcel of Shares held by Munsun Fund II.

Directors' Report (Continued)

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 2015.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year ended 31 December 2015 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 2015, 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 2015 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 which has business relationship with YTPAH since March 2011, 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. Yunnan Tin PRC indirectly 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.

Directors' Report (Continued)

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 2015 amounted to approximately HK\$344,497,000.

(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 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 evidenced by the date of the bill of lading.

No revenue was recognised under the Copper Supply Contract for the year ended 31 December 2015.

Directors' Report (Continued)

(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 interests 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 (Revised) "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 an unqualified assurance report in respect of the continuing connected transactions as disclosed by the Group in pages 39 and 40 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 2015.

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.

Directors' Report (Continued)

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 the Listing Rules during the year ended 31 December 2015.

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 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non executive Directors to be 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 2015 have been reviewed by the audit committee of the Company, who are of the opinion that such statements comply with the applicable accounting standards and legal requirements, and that adequate disclosures have been made.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within 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 2015 and as at the latest practicable date prior to the issue of this report (i.e 21 April 2016).

Directors' Report (Continued)

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 110.

AUDITOR

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

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 2016

Independent Auditor's Report

Deloitte.

德勤

**TO THE SHAREHOLDERS 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 46 to 109, which comprise the consolidated statement of financial position as at 31 December 2015, 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 applicable 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.

Independent Auditor's Report (Continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Revenue	6	344,497	497,281
Cost of sales		(356,209)	(468,625)
Gross (loss) profit		(11,712)	28,656
Interest income		1,175	999
Administrative expenses		(36,556)	(41,704)
Other expenses	8	(6,610)	(11,246)
Other gains and losses	9	9,074	13,247
Finance costs	10	(29,026)	(24,490)
(Impairment loss) reversal of impairment loss recognised on property, plant and equipment		(64,726)	2,110
(Impairment loss) reversal of impairment loss recognised on mining rights		(22,527)	9,811
(Impairment loss) reversal of impairment loss recognised on exploration and evaluation assets		(58,395)	20,546
Loss before taxation		(219,303)	(2,071)
Taxation credit (charge)	12	44,778	(21,414)
Loss for the year	13	(174,525)	(23,485)
Other comprehensive expense for the year <i>Item that will not be reclassified to profit or loss:</i> Exchange difference arising on translation to presentation currency		(34,232)	(37,112)
Total comprehensive expense for the year		(208,757)	(60,597)
Loss for the year attributable to:			
Owners of the Company		(144,343)	(23,465)
Non-controlling interests		(30,182)	(20)
		(174,525)	(23,485)
Total comprehensive (expense) income attributable to:			
Owners of the Company		(174,495)	(60,612)
Non-controlling interests		(34,262)	15
		(208,757)	(60,597)
Loss per share	14		
Basic and diluted (HK cents)		(2.81)	(0.46)

Consolidated Statement of Financial Position

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	16	130,368	216,261
Mining rights	17	63,948	88,078
Exploration and evaluation assets	18	88,194	186,268
Deposits	19	11,661	13,044
Deferred tax assets	30	18,012	—
		312,183	503,651
Current assets			
Inventories	20	12,760	17,194
Trade receivables	21	20,537	36,431
Other receivables, prepayments and deposits		6,886	8,352
Held-for-trading investments	22	4,512	4,484
Bank balances and cash	23	163,965	164,999
		208,660	231,460
Current liabilities			
Trade payables	24	40,000	31,129
Other payables and accruals	25	84,522	92,185
Amount due to a non-controlling shareholder of a subsidiary	26	—	4,283
Amount due to a related company	26	—	1,179
Obligations under finance lease	27	373	526
Convertible bonds	28	175,721	—
		300,616	129,302
Net current (liabilities) assets		(91,956)	102,158
Total assets less current liabilities		220,227	605,809

Consolidated Statement of Financial Position (Continued)

At 31 December 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Capital and reserves			
Share capital	29	25,650	25,650
Reserves		216,082	390,577
Equity attributable to owners of the Company		241,732	416,227
Non-controlling interests		(34,651)	(389)
Total equity		207,081	415,838
Non-current liabilities			
Obligations under finance lease	27	903	—
Convertible bonds	28	—	147,010
Deferred tax liabilities	30	—	28,442
Provision for rehabilitation	31	12,243	14,519
		13,146	189,971
		220,227	605,809

The consolidated financial statements on pages 46 to 109 were approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

NIE DONG
DIRECTOR

SHI SIMON HAO
DIRECTOR

Consolidate Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company							Sub-total	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Special reserve	Other reserve	Convertible bonds equity reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	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 (expense) income 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
Loss for the year	—	—	—	—	—	—	(144,343)	(144,343)	(30,182)	(174,525)
Exchange difference arising on translation to presentation currency	—	—	(30,152)	—	—	—	—	(30,152)	(4,080)	(34,232)
Total comprehensive expense for the year	—	—	(30,152)	—	—	—	(144,343)	(174,495)	(34,262)	(208,757)
At 31 December 2015	25,650	822,927	(109,328)	7,800	(1,280)	133,262	(637,299)	241,732	(34,651)	207,081

Note (a): 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.

Note (b): Other reserve represented the difference between the considerations paid for acquisition of additional interest in a subsidiary in prior years and the carrying amount of non-controlling interests (being the proportionate share of the carrying amount of the net asset of that subsidiary).

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(219,303)	(2,071)
Adjustments for:		
Interest income	(1,175)	(999)
Interest expense	29,026	24,490
Gain on disposal of property, plant and equipment	(30)	(224)
Reversal of impairment loss recognised on other receivable	(497)	(568)
Impairment loss (reversal of impairment loss) recognised on property, plant and equipment	64,726	(2,110)
Impairment loss (reversal of impairment loss) recognised on mining rights	22,527	(9,811)
Impairment loss (reversal of impairment loss) recognised on exploration and evaluation assets	58,395	(20,546)
Amortisation of mining rights	15,402	24,753
Depreciation of property, plant and equipment	51,883	73,917
Adjustment on provision for rehabilitation cost	(996)	622
Fair value change on held for trading investments	(28)	5,180
Unrealised exchange loss arising on convertible bonds	16,950	13,477
Operating cash flows before movements in working capital	36,880	106,110
Decrease (increase) in inventories	2,692	(852)
Decrease in trade receivables	12,403	677
Decrease in other receivables, prepayments and deposits	1,096	4,846
Decrease in held for trading investments	—	14,800
Increase (decrease) in trade payables	12,546	(5,844)
Increase (decrease) in other payables and accruals	2,174	(5,581)
NET CASH FROM OPERATING ACTIVITIES	67,791	114,156
INVESTING ACTIVITIES		
Interest received	1,175	999
Purchase of property, plant and equipment	(46,800)	(51,366)
Proceeds from disposal of property, plant and equipment	194	266
Exploration and evaluation expenditure incurred	(6,339)	(4,046)
NET CASH USED IN INVESTING ACTIVITIES	(51,770)	(54,147)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
FINANCING ACTIVITIES		
Interest paid	(79)	(96)
Repayment of obligations under finance leases	(683)	(518)
Repayment to non-controlling interests of a subsidiary	(4,283)	(375)
Repayment to a related company	(1,179)	—
CASH USED IN FINANCING ACTIVITIES	(6,224)	(989)
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,797	59,020
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(10,831)	(16,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	164,999	122,169
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	163,965	164,999

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

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

The 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 39.

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

Basis of preparation and going concern

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$174,525,000 for the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$91,956,000. In addition, the Company has outstanding Convertible Bonds (as defined in note 28) with principal amount of HK\$176,400,000 as at 31 December 2015, which matured on 3 March 2016 (the "Maturity Date of the Convertible Bonds").

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

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

- a. On 29 April 2015, the Company and 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited) (the "Initial Proposed Subscriber"), a third party independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules), have entered into a non-binding memorandum of understanding setting out the preliminary understanding in relation to the proposed subscription by the Initial Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Initial Proposed Subscriber as designated by it) for not less than 6,000,000,000 new ordinary shares of the Company or convertible bonds of equivalent value to be issued by the Company (the "Proposed Subscription").

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

Basis of preparation and going concern (Continued)

a. (Continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION (Continued)

Basis of preparation and going concern (Continued)

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

New and revised HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2016.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods to be determined.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 “Financial instruments”

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial instruments: Recognition and measurement” are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s 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 is presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group’s financial assets as at 31 December 2015 and anticipate that the application of HKFRS 9 in the future may result in provision of 12 month and lifetime expected credit losses on financial assets and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group’s existing business model.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 “Revenue from contracts with customers”

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

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

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

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

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

Amendments to HKAS 1 “Disclosure initiative”

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

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised or the presentation and disclosure in the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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 amortisation”

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

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

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

The directors of the Company anticipate that the application of 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain requirements of the new Hong Kong Companies Ordinance (Cap. 622) and to streamline with HKFRSs and have become effective for the financial year ended 31 December 2015. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 the Group's accounting policies.

All intragroup assets and liabilities, equity transactions, balances, income and expenses are eliminated in full on consolidation.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a joint venture 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.

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;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Sales of goods (Continued)

- 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 as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply 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.

Depreciation is recognised so as to write off the cost 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 asset may exceed its recoverable amount. An impairment loss is recognised in profit or loss.

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

Impairment of exploration and evaluation assets

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on 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), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 liabilities for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in a 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 and interests 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, 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.

Inventories

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 the 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.

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 term; or
- on initial recognition it is a part of a portfolio of identified 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 any gain or loss arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned in the financial assets.

Fair value is determined in the manner described in note 5(c).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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 impairment (see accounting policy on impairment loss on 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 each 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 recognised 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 investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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 an entity 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.

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. A 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds contains liability and equity components (Continued)

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

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

Subsequent to the initial recognition of the convertible bonds, the Group chooses not to reassess the liability-equity classification of the conversion option determined at its initial recognition when there is a change in the functional currency of the issuer of the convertible bonds (i.e. the Company) but without any changes in the contractual terms of the convertible bonds.

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 have expired. 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provision for rehabilitation cost (Continued)

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 application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make various estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience, expectations of future and other factors 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 approximately 11 years (2014: 12 years) for its mining rights based on the proven and probable reserves. However, as at 31 December 2015, the remaining term of the mining rights is within 1 year (2014: approximately 2 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Depreciation/amortisation on mining rights and mining structures (Continued)

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.

The carrying amounts of the mining rights and mining structures as at 31 December 2015 and 2014 are disclosed in notes 17 and 18, respectively.

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 2015, the carrying amount of provision for rehabilitation cost is approximately HK\$12,243,000 (2014: HK\$14,519,000).

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 units to which these assets have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units (i.e. estimation of 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 decline in tin price during the current year, the recoverable amount of the cash-generating units of the Renison underground mine is lower than its carrying value as at 31 December 2015. Accordingly, impairment losses on mining related property, plant and equipment, mining rights and exploration and evaluation assets of HK\$64,726,000, HK\$22,527,000, HK\$58,395,000, respectively are recognised to profit or loss for the year ended 31 December 2015.

In view of the significant increase in the estimated total proven and probable reserves of the Renison underground mine and the enhanced production rate, during the year ended 31 December 2014, 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 were recognised to profit or loss for the year ended 31 December 2014.

Details of impairment assessment on the cash-generating units is disclosed in note 17.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	199,217	218,449
Held for trading investments	4,512	4,484
Financial liabilities		
Amortised cost	300,243	275,786

(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 policies 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 it manages and measures the risks for both years. Details of the change in exposure to respective risks are disclosed below.

Market risk

Currency risk

Several subsidiaries of the Company have bank balances, trade receivables, convertible bonds, other payables and accruals, other receivables and deposits, amount due to a related company, sales and purchases denominated in foreign currencies which expose the Group 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

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

	Assets		Liabilities	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
United States Dollars ("USD")	78,527	83,976	—	—
Renminbi ("RMB")	422	419	—	—
HK\$	13,756	41,067	175,827	149,033

Sensitivity analysis

The following table details the Group's sensitivity to a 10% (2014: 5%) increase and decrease in the functional currency of each group entities against the relevant foreign currencies and other variables were held constant. 10% (2014: 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 10% (2014: 5%) change in the relevant foreign currencies exchange rates. A positive (negative) number below indicates a decrease (increase) in loss for the year where the relevant foreign currencies strengthen 10% (2014: 5%) against the functional currency of each group entities. For a 10% (2014: 5%) weakening of the relevant foreign currencies against the functional currencies of each group entities there would be an equal and opposite impact on the loss for the year.

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

	2015 HK\$'000
HK\$ impact	(16,207)
RMB impact	42
USD impact	7,853

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

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

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

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

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 2015 and 2014 (see notes 27 and 28 for details).

Sensitivity analysis

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

If the interest rates had been 20 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year would decrease/increase by approximately HK\$328,000 (2014: HK\$330,000).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses on held-for-trading investments during the year ended 31 December 2015 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 for the year would decrease/increase approximately by HK\$1,354,000 (2014: HK\$1,345,000) as a result of the changes in fair value of held-for-trading investments.

Credit risk

As at 31 December 2015, 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 of the Group 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") which are tin and copper refining and processing company located in Australia. YTATR 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

As at 31 December 2015, the Group's current liabilities exceeded its current assets by approximately HK\$91,956,000, which causes the Group in significant liquidity risk. Subsequent to the end of the reporting period, the Group has taken appropriate measures as set out in note 1 to mitigate such liquidity risk.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	Between 1 to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
31 December 2015						
Trade payables	—	40,000	—	—	40,000	40,000
Other payables and accruals	—	84,522	—	—	84,522	84,522
Obligations under finance leases	3.4	103	308	936	1,347	1,276
Convertible bonds	20.12	176,400	—	—	176,400	175,721
		301,025	308	936	302,269	301,519

	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
31 December 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	—	4,283	—	—	4,283	4,283
Amount due to a related company	—	1,179	—	—	1,179	1,179
Convertible bonds	20.12	—	—	176,400	176,400	147,010
		128,911	405	176,400	305,716	276,312

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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		Fair value hierarchy	Valuation technique and key input(s)
	31.12.2015	31.12.2014		
Held-for-trading investments	Listed equity securities in Hong Kong, HK\$4,512,000	Listed equity securities in Hong Kong, HK\$4,484,000	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 is disclosed above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

5. FINANCIAL INSTRUMENTS (Continued)

(d) Capital risk management

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

The capital structure of the Group consists of debt, which includes convertible bonds as disclosed in note 28 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 executive directors of the Company have been identified as chief operating decision makers. The executive directors consider exploration, development and mining of tin and copper bearing ores in Australia ("Mining Operation"), held under the joint operation (set out in note 15), is the principal activity of the Group and represents one single segment. Segment information is not reported to the executive directors of the Company for 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:

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

Information about sole customer

	2015 HK\$'000	2014 HK\$'000
YTATR*	344,497	497,281

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

8. OTHER EXPENSES

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

9. OTHER GAINS AND LOSSES

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

10. FINANCE COSTS

	2015 HK\$'000	2014 HK\$'000
Interests on:		
Obligations under finance leases	79	96
Unwinding of discount on provision for rehabilitation (note 31)	236	492
Effective interest expense on convertible bonds (note 28)	28,711	23,902
	29,026	24,490

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

Directors' and chief executives emoluments

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

Directors' and chief executives emoluments (Continued)

	Executive Directors				Non-Executive Directors				Independent Non-Executive Directors				Total	
	Cheung Wai Kuen	Nie Dong	Wang Chuanhu	Chen Zhenliang	Pu Xiaodong	Dr. Shi Simon Hao	Qiu Guanzhou	Li Xianghong	Chi Chi Kenneth	Hung Shichuan	Deng James	Munn Dezhu		Gao Kang Yi
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note (x))	(note (vi & x))	(note (note (xiii & x))	(note (note (iii))	(note (note (ix))	(note (note (iv & xi))	(note (note (vii))	(note (note (vi))	(note (note (xii))	(note (note (viii & xii))	(note (note (vii & xii))	(note (note (ii))	(note (note (i))	
For the year ended														
31 December 2014														
Fees	–	1,424	–	810	–	180	150	–	180	14	14	123	123	3,018
Other emoluments:														
Salaries and allowances	–	934	–	814	–	–	–	–	–	–	–	–	–	1,748
Contributions to retirement benefit scheme	–	13	–	–	–	–	–	–	–	–	–	–	–	13
Discretionary bonus (note i)	–	1,560	–	–	–	–	–	–	–	–	–	–	–	1,560
Total emoluments	–	3,931	–	1,624	–	180	150	–	180	14	14	123	123	6,339

Notes:

- (i) The bonus is discretionary and is determined by the remuneration committee by reference to the individual performance of the director.
- (ii) Mr. Gao Dezhu and Mr. Kang Yi resigned on 5 September 2014.
- (iii) Mr. Chen Zhenliang resigned on 30 September 2014.
- (iv) Dr. Shi Simon, Hao was appointed as non-executive director on 1 April 2014 and re-designated as executive director on 1 April 2015.
- (v) Mr. Li Xianghong resigned on 1 April 2014.
- (vi) Mr. Nie Dong was the Chief Executive Officer of the Company for the years ended 31 December 2015 and 2014 and his emoluments disclosed above include those services rendered by him as Chief Executive Officer.
- (vii) Professor Qiu Guanzhou resigned on 31 October 2014.
- (viii) Mr. Deng Shichuan and Mr. Munn James were appointed on 3 December 2014.
- (ix) Mr. Pu Xiaodong was resigned as director on 29 January 2014.
- (x) The executive directors' emoluments shown above were mainly for the services in connection with the management of the affairs of the Company and the Group.
- (xi) The non-executive directors' emoluments shown above were mainly for the services as directors of the Company.
- (xii) The independent non-executive directors' emoluments shown above were mainly for the services as directors of the Company.
- (xiii) Mr. Wang Chuanhu was appointed on 1 April 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2014: two) were directors of the Company, details of whose emoluments are included above. The emoluments of the remaining two (2014: three) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and allowances	3,599	3,204
Discretionary bonus	—	1,242
Contributions to retirement benefit scheme	36	46
	3,635	4,492

The emolument of the remaining two (2014: three) individuals for the year was within the following bands:

	2015 No. of employees	2014 No. of employees
Nil to HK\$1,000,000	—	—
HK\$1,000,001 to HK\$1,500,000	—	3
HK\$1,500,001 to HK\$2,000,000	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 CREDIT (CHARGE)

	2015 HK\$'000	2014 HK\$'000
The credit (charge) comprises:		
Deferred tax credit (charge) for the year (note 30)	44,778	(21,414)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

12. TAXATION CREDIT (CHARGE) (Continued)

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

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

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

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

	2015 HK\$'000	2014 HK\$'000
Loss before taxation	(219,303)	(2,071)
Tax at Australia Profits Tax rate of 30% (2014: 30%)	65,791	621
Tax effect of expenses not deductible for tax purpose	(21,514)	(22,085)
Tax effect of income not taxable for tax purpose	218	50
Utilisation of tax losses previously not recognised	283	—
Taxation credit (charge) for the year	44,778	(21,414)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

13. LOSS FOR THE YEAR

	2015 HK\$'000	2014 HK\$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	2,645	2,760
Cost of inventories recognised as an expense	356,209	468,625
Depreciation of property, plant and equipment	51,883	73,917
Amortisation of mining rights included in cost of sales	15,402	24,753
Operating lease rentals in respect of rented premises and leasehold land	2,204	2,523
Staff costs (including directors' emoluments (note 11))		
— Salaries and other benefits	64,013	71,242
— Contributions to retirement benefit schemes	4,490	4,824
	68,503	76,066

14. LOSS PER SHARE

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

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

	2015 Number of shares	2014 Number of shares
Number of ordinary shares for the purposes of basic and diluted loss per share	5,130,000,000	5,130,000,000

For the years ended 31 December 2015 and 2014, the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

15. JOINT ARRANGEMENTS

Joint operation

In July 2010, Gallop Pioneer Limited ("GPL"), as the purchaser, the wholly owned subsidiary of the Company, and Mr. Chan Kon Fung (an independent third party) as the vendor ("Vendor"), signed a sales and purchase agreement ("Parksong S&P Agreement") in relation to the acquisition of 100% interest in Parksong Mining and Resource Recycling Limited ("Parksong"). The completion of the acquisition of Parksong took place on 4 March 2011 (the "Date of Completion"). Parksong holds 82% interest in Yunnan Tin Hong Kong (Holding) Group Co., Limited ("YTHK") and its subsidiary including YT Parksong Australia Holding Pty Limited ("YTPAH") as at the Date of Completion.

YTPAH and Bluestone Mines Tasmania Pty Ltd. ("BMT"), an independent third party, entered into a joint venture agreement (the "JV Agreement") that an unincorporated joint venture was established by YTPAH and BMT to jointly manage 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"). 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.

Pursuant to the Parksong S&P Agreement, other than the assets and liabilities relating to the JV Projects, the Vendor is entitled to receive and is obliged to pay cash in respect of the receivables and payables of Parksong and its subsidiaries. As such, at the Date of Completion, the Group recognised a net payable to the Vendor, representing the excess of receivables over payables that the Vendor is entitled to receive and the Group is obliged to pay to Vendor in cash, as other payables (see note 25).

The JV Projects are managed by a management committee ("Management Committee"). Each of YTPAH and BMT is entitled to appoint three representatives to the Management Committee. Under the JV Agreement, certain key decisions on relevant activities, including but not limited to strategic financial and operating policies of those JV Projects, require the unanimous consent from both YTPAH and BMT. 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. The Group's share of the assets, liabilities, revenue and expenses in relation to the JV Projects are reflected in the consolidated financial information of YTHK and its subsidiary, YTPAH as disclosed in note 39.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

15. 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		Principal activity
				2015	2014	
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 to provide management services to 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 2015 and 2014 and its income and expenses incurred during the years ended 31 December 2015 and 2014 were borne by the JV Projects.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Mining structures	Leasehold improvement	Construction in progress	Furniture and fixtures	Plant, machinery and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST								
At 1 January 2014	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 18)	—	24,009	—	—	—	—	—	24,009
At 31 December 2014	35,164	260,215	5,631	6,850	3,878	150,610	8,915	471,263
Exchange adjustments	(3,728)	(27,605)	(33)	(726)	—	(15,845)	(544)	(48,481)
Additions	—	41,449	—	6,822	1	—	—	48,272
Disposal	—	—	—	—	(12)	(214)	(257)	(483)
Transfer	1,702	—	—	(8,940)	—	5,382	1,856	—
Transfer from exploration and evaluation assets (note 18)	—	1,717	—	—	—	—	—	1,717
At 31 December 2015	33,138	275,776	5,598	4,006	3,867	139,933	9,970	472,288
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
At 1 January 2014	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
Exchange adjustments	(612)	(19,368)	(24)	—	—	(9,109)	(259)	(29,372)
Provided for the year	1,267	36,135	319	—	365	12,537	1,260	51,883
Impairment loss recognised	—	64,726	—	—	—	—	—	64,726
Eliminated on disposal	—	—	—	—	(7)	(118)	(194)	(319)
At 31 December 2015	6,073	235,555	5,482	—	3,849	86,522	4,439	341,920
CARRYING VALUES								
At 31 December 2015	27,065	40,221	116	4,006	18	53,411	5,531	130,368
At 31 December 2014	29,746	106,153	444	6,850	387	67,398	5,283	216,261

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

16. 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	4%–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 2015 is 13.2% (2014: 18.2%).

As at 31 December 2015, the net carrying value of property, plant and equipment included an amount of approximately HK\$1,308,000 (2014: HK\$794,000) in respect of assets held under finance leases. Such property, plant and equipment had been pledged to secure the finance leases being granted.

17. MINING RIGHTS

	HK\$'000
COST	
At 1 January 2014	442,628
Transfer from exploration and evaluation assets (note 18)	39,111
Exchange adjustment	(36,522)
At 31 December 2014	445,217
Transfer from exploration and evaluation assets (note 18)	22,000
Exchange adjustment	(46,355)
At 31 December 2015	420,862

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

17. MINING RIGHTS (Continued)

	HK\$'000
AMORTISATION AND IMPAIRMENT	
At 1 January 2014	374,688
Amortisation for the year	24,753
Reversal of impairment loss	(9,811)
Exchange adjustment	(32,491)
At 31 December 2014	357,139
Amortisation for the year	15,402
Impairment loss recognised	22,527
Exchange adjustment	(38,154)
At 31 December 2015	356,914
CARRYING VALUES	
At 31 December 2015	63,948
At 31 December 2014	88,078

The mining rights represented the rights to conduct mining activities in Tasmania, Australia and have been granted for the terms up to August 2016 in relation to Renison underground mine. In the opinion of the directors of the Company, 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 cash generating unit of the Renison underground mine

In view of significant decline in tin price continuously during the current year, which is an impairment indicator on the Group's mining-related property, plant and equipment, mining rights and exploration and evaluation assets, the Group management performed an impairment test on these assets as at 31 December 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 of the Mining Operation") as these assets are related to the Renison underground mine.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

17. MINING RIGHTS (Continued)

Impairment testing on the cash generating unit of the Renison underground mine (Continued)

The recoverable amount of the CGU of the Mining Operation of approximately AUD49,347,000 (equivalent to approximately HK\$279,127,000) as at 31 December 2015 (2014: approximately AUD76,848,000, equivalent to approximately HK\$486,228,000) was determined based on the higher of fair value less costs of disposal and value in use. The Group's management applied discounted cash flow method to assess the recoverable amount of the CGU of the Mining Operation. The discounted cash flow method was based on an effective discount rate of 17% (2014: 17%) and cash flow projection prepared from financial forecasts approved by the directors of the Company covering the expected 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 7.32 million tonnes and it is assumed the mineral reserve is mined over approximately 11 years at a rate of up to 0.66 million tonnes per annum. Such assumptions are based on the estimation provided by the management of the Group. The discount rate was estimated by using the capital asset pricing model with a risk free rate at 2.90% (2014: 2.77%). Other key assumptions for the calculation related to the estimation of cash inflows/outflows include AUD/USD forward exchange rate ranging from 1:0.665 to 1:0.719, forward price of tin of USD15,881 per tonne and production rate of 1.51% per tonne.

As at 31 December 2015, the recoverable amount of the CGU of the Mining Operation was lower than its carrying value by HK\$145,648,000. Accordingly, impairment losses of approximately HK\$64,726,000, HK\$22,527,000 and HK\$58,395,000 are allocated respectively to mining-related property, plant and equipment, mining rights and exploration and evaluation assets of the CGU of the Mining Operation based on their relative carrying values before impairment and are recognised in profit or loss for the year ended 31 December 2015, respectively.

As at 31 December 2014, 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

18. EXPLORATION AND EVALUATION ASSETS

	HK\$'000
CARRYING AMOUNT	
At 1 January 2014	246,586
Additions	4,046
Transfer to mining rights (note 17)	(39,111)
Transfer to property, plant and equipment (note 16)	(24,009)
Reversal of impairment loss	20,546
Exchange adjustment	(21,790)
At 31 December 2014	186,268
Additions	6,339
Transfer to mining rights (note 17)	(22,000)
Transfer to property, plant and equipment (note 16)	(1,717)
Impairment loss recognised	(58,395)
Exchange adjustment	(22,301)
At 31 December 2015	88,194

19. DEPOSITS

Deposits with the carrying amount of HK\$11,661,000 (2014: HK\$13,044,000) as at 31 December 2015 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.

20. INVENTORIES

	2015 HK\$'000	2014 HK\$'000
Ore stocks	499	1,300
Work-in-progress	349	1,941
Tin in circuit	346	265
Copper concentrate	330	73
Spare parts	10,374	12,247
Others	862	1,368
	12,760	17,194

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

21. TRADE RECEIVABLES

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

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

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

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Concentration of credit risk on a customer is disclosed in note 5(b). As 31 December 2015 and 2014, the trade receivables are neither past due nor impaired with satisfactory credit quality under the management's assessment and with good past repayment record. The directors of the Company also believe that there is no impairment required for the trade receivables as at the end of the reporting period.

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

22. HELD-FOR-TRADING INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong	4,521	4,484

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

23. 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% (2014: 0.1% to 0.3%) 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:

	2015 HK\$'000	2014 HK\$'000
USD	57,990	47,545
HK\$	12,656	38,397
RMB	92	79
AUD	—	57

24. TRADE PAYABLES

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

25. OTHER PAYABLES AND ACCRUALS

	2015 HK\$'000	2014 HK\$'000
Current:		
Net payables to the Vendor (note)	69,862	78,146
Other payables and accruals	14,660	14,039
	84,522	92,185

Note: As detailed in note 15, the amount arose from the acquisition of Parksong 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 in net by cash. Details of dispute with the Vendor on these payables are also disclosed in note 34. GLP and Parksong are wholly-owned subsidiaries of the Company.

26. 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 as at 31 December 2014 were unsecured, interest-free and repayable on demand. The related company is controlled by a substantial shareholder of the Company.

27. OBLIGATIONS UNDER FINANCE LEASE

	2015 HK\$'000	2014 HK\$'000
Analysed for reporting purpose as:		
Current liabilities	373	526
Non-current liabilities	903	—
	1,276	526

Certain machineries of the mining projects of the joint operation are under finance leases. The original lease term is 3 years (2014: average of 3 years). Interest rates underlying all obligations under finance leases are fixed at 3.4% (2014: fixed at 5.9%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

27. OBLIGATIONS UNDER FINANCE LEASE (Continued)

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Amounts payable under finance leases				
Within one year	411	540	373	526
In more than one year but not more than two years	936	—	903	—
	1,347	540	1,276	526
Less: Future finance charges	(71)	(14)	N/A	N/A
Present value of lease obligations	1,276	526	1,276	526
Less: Amount due for settlement within 12 months (shown under current liabilities)			(373)	(526)
Amount due for settlement after 12 months			903	—

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

During the year ended 31 December 2015, the Group entered into new finance leases in relation to the Group's machineries of the mining projects with the cost of approximately HK\$1,472,000.

28. CONVERTIBLE BONDS

Pursuant to Parksong S&P Agreement (as defined in note 15), part of the consideration was settled by issuance of convertible bonds by the Company. On the Date of Completion (as defined in note 15), the Company issued zero-coupon convertible bonds with principal amount of HK\$773,500,000 with maturity of five years (the "Convertible Bonds"). The Convertible Bonds were denominated in HK\$ and entitled the holders to convert them into ordinary 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 (subject to anti-dilutive adjustments and was adjusted to HK\$1.211 per share in year 2013). If the Convertible Bonds had not been converted, they would be redeemed on 3 March 2016 at par (see note 1 for further details). 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

28. CONVERTIBLE BONDS (Continued)

The movements of the liability and equity component of the Convertible Bonds are set out as below:

	Equity component HK\$'000	Liability component HK\$'000	Total HK\$'000
As at 1 January 2014	133,262	123,108	256,370
Interest charge (note 10)	—	23,902	23,902
Exchange loss recognised in profit or loss	—	13,477	13,477
Exchange adjustment to presentation currency	—	(13,477)	(13,477)
As at 31 December 2014	133,262	147,010	280,272
Interest charge (note 10)	—	28,711	28,711
Exchange loss recognised in profit or loss	—	16,950	16,950
Exchange adjustment to presentation currency	—	(16,950)	(16,950)
As at 31 December 2015	133,262	175,721	308,983

On 14 February 2012 and 5 March 2013, the Company repurchased the Convertible Bonds with principal amount of HK\$17,100,000 and HK\$580,000,000 from the bondholders respectively. As at 31 December 2015, the outstanding principal amount of the Convertible Bonds was HK\$176,400,000 (2014: 176,400,000).

Subsequent to the end of the reporting period, on the Maturity Date of the Convertible Bonds at the request of the Company, the holder of the Convertible Bonds agreed in writing to defer the due date for payment of the redemption amount of the Convertible Bonds of HK\$176,400,000 to 17 March 2016. The Company shall pay interest on the redemption amount at the rate of 8% per annum from 4 March 2016 to 17 March 2016 (or if earlier, the date of actual payment of the redemption amount by the Company) to the holder of the Convertible Bonds. The conversion period within which the holder of the Convertible Bonds might convert the Convertible Bonds into shares of the Company has, however, expired on 3 March 2016 and has not been correspondingly extended. As set out in note 1, the Company repaid the Convertible Bonds on 17 March 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

29. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 31 December 2015	20,000,000,000	100,000
Issued:		
At 1 January 2014, 31 December 2014 and 2015	5,130,000,000	25,650

There was no movement in the Company's share capital during both years.

30. DEFERRED TAXATION

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

	Acquisition cost of joint operation HK\$'000	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 2014	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)
(Charge) credit to profit or loss (note 12)	—	(410)	1,493	43,695	44,778
Exchange adjustment	—	(1,235)	(1,693)	4,604	1,676
At 31 December 2015	—	10,137	15,352	(7,477)	18,012

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

30. DEFERRED TAXATION (Continued)

As at 31 December 2015, the Group had estimated unused tax losses of approximately HK\$162,962,000 (2014: HK\$164,573,000) available for offset against future profits. Tax losses of HK\$51,173,000 (2014: HK\$51,840,000) had been recognised as deferred tax asset at 31 December 2015. No deferred tax asset had been recognised in respect of the remaining tax losses of HK\$111,790,000 (2014: HK\$112,733,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$17,414,000 (2014: HK\$16,137,000) that will expire in 5 years since such losses were incurred. Other tax losses may be carried forward indefinitely.

31. PROVISION FOR REHABILITATION

	HK\$'000
At 1 January 2014	14,693
Adjustments	622
Unwinding of discount (note 10)	492
Exchange adjustment	(1,288)
At 31 December 2014	14,519
Adjustments	(996)
Unwinding of discount (note 10)	236
Exchange adjustment	(1,516)
At 31 December 2015	12,243

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 2.61% as at 31 December 2015 (2014: 2.44%).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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:

	2015 HK\$'000	2014 HK\$'000
Within one year	1,974	2,018
In the second to fifth year inclusive	1,816	740
	3,790	2,758

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:

	2015 HK\$'000	2014 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of property, plant and equipment of JV Projects	603	1,600

As at 31 December 2015 and 2014, 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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\$85,657,000), 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, other than the assets and liabilities relating to the JV Projects, the Vendor is entitled to receive and is obliged to pay cash in respect of the receivables and payables of Parksong and its subsidiaries. As such, at the Date of Completion, the Group recognised a net payable to the Vendor, representing the excess of receivables over payables that the Group is obliged to pay to Vendor in cash, as other payables. 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 AUD25,853,847 and US\$2,059,897 (equivalent to approximately HK\$162,205,000 in aggregate) against the Vendor on 11 October 2011 (the "Counterclaim") and as amended on 23 May 2012 (the "AD&C"). 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. On 3 June 2015, the Vendor also made application to amend his reply and defence to Counterclaim dated 9 December 2011 (and subsequently amended on 10 July 2012 and 5 June 2013) on the issue in relation to an advanced sum of AUD16.3 million which is part of the Counterclaim as mentioned above ("Plaintiff's Application").

After an initial hearing on 19 December 2014 in respect of GPL's and the Company's applications on the issue of joinder of additional party, application for expert evidence and application for the defendants' pleading amendment ("Defendants' Applications"), further hearings for Defendants' Applications had been scheduled to 28-29 July 2015. The Plaintiff's Application was first heard on 28-29 July 2015 with the result that the Defendants' Applications had to be further adjourned which shall be fixed after the Court has made a decision on the Plaintiff's Application ("Court's Decision"). Court's Decision on Plaintiff's Application is still pending up to the date of these consolidated financial statements were authorised for issuance.

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 AUD3,284,201, AUD650,205 and AUD1,021,181 respectively (equivalent to approximately HK\$28,031,000 in aggregate).

The legal proceedings are now being considered with these additional evidence and related investigation and development. GPL is now making re-assessment on the Claim and the compensation to be sought under the Counterclaim. The AD&C shall be further revised and updated in due course if and when upon the advice of the legal team of the Company.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

34. LITIGATION (Continued)

HCA1357/2011 (Continued)

Pending the outcome of the Claim and the Counterclaim, as at 31 December 2015, the Group accrued for the net payables to the Vendor pursuant to the Parksong S&P Agreement since the Date of Completion. Details of such net payables to the Vendor of HK\$69,862,000 (2014: HK\$78,146,000) are disclosed in notes 15 and 25.

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 2015 and 2014.

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 2015, the Group’s share of total contributions to the retirement benefit schemes is approximately HK\$4,490,000 (2014: HK\$4,824,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

36. RELATED PARTY TRANSACTIONS

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

	2015 HK\$'000	2014 HK\$'000
Sales of copper concentrate to YTATR (note a & b)	—	5,360
Sales of tin concentrate to YTATR (note a & b)	344,497	491,921
Amount due from YTATR included in trade receivables (note c)	20,537	36,431

Notes:

- (a) The price of tin/copper concentrates per dry metric ton was agreed between the Group and YTATR 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.
- (b) The transactions represent the revenue from sales of copper concentrate or tin concentrate to YTATR, which is a subsidiary of non-controlling shareholder of a subsidiary of the Company. These transactions are classified as continuing connected transactions (as defined in the Listing Rules).
- (c) Details of amounts due from and to related parties are set out in notes 21 and 26 respectively.

Compensation of key management personnel

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

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	6,385	10,979
Contributions to retirement benefit scheme	54	59
	6,439	11,038

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

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 2015 and 2014 nor at 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Investments in subsidiaries	191,315	402,128
Amounts due from subsidiaries	162,028	181,972
	353,343	584,100
Current assets		
Other receivables and payables	1,049	1,136
Bank balances	26,287	35,668
	27,336	36,804
Current liabilities		
Other payables and accruals	2,613	2,972
Convertible Bonds	175,721	—
	178,334	2,972
Net current (liabilities) assets	(150,998)	33,832
Net assets	202,345	617,932
Capital and reserves		
Share capital (see note 29)	25,650	25,650
Reserves	176,695	445,272
Total equity	202,345	470,922
Non-current liability		
Convertible Bonds	—	147,010
	202,345	617,932

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 March 2016 and are signed on its behalf by:

NIE DONG
DIRECTOR

SHI SIMON HAO
DIRECTOR

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement of share capital and reserves of the Company

	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 2014	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
Loss for the year	—	—	—	—	(220,145)	(220,145)
Exchange difference arising on translation of presentation currency	—	—	(48,432)	—	—	(48,432)
Total comprehensive expense for the year	—	—	(48,432)	—	(220,145)	(268,577)
At 31 December 2015	25,650	822,927	(162,876)	133,262	(616,618)	202,345

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2015 and 2014 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
		2015	2014	Directly		Indirectly		
				2015	2014	2015	2014	
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
L'sea Biological Resources Hong Kong Company Limited	Hong Kong	HK\$60	HK\$60	—	—	100%	100%	Investment holding
L'sea Biological Project (Changsha) Limited (note b)	The PRC	—	HK\$5,000,000	—	—	—	100%	Inactive
萬嘉世紀貿易(深圳)有限公司 (note a)	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%	Investment holding
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
YTHK	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

Notes:

(a) Wholly foreign owned enterprise registered in the PRC.

(b) The subsidiary has been deregistered during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

39. 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	
		2015	2014	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
YTHK and its subsidiary	Hong Kong/ Australia	18%	18%	(30,182)	(20)	(34,651)	(389)

Summarised financial information for the years ended 31 December 2015 and 2014 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

YTHK and its subsidiary (YTPAH)

	2015 HK\$'000	2014 HK\$'000
Non-current assets	308,800	498,498
Current assets	156,734	199,494
Total assets	465,534	697,992
Non-current liabilities	(13,146)	(42,961)
Current liabilities	(644,947)	(657,192)
Total liabilities	(658,093)	(700,153)
Net liabilities	(192,559)	(2,161)
Revenue	344,497	497,281
Expenses	(512,175)	(497,390)
Loss for the year	(167,678)	(109)
Other comprehensive (expense) income for the year	(22,720)	195
Total comprehensive (expense) income for the year	(190,398)	86
Loss for the year attributable to		
– the owners of the Company	(137,496)	(89)
– non-controlling interests of YTHK	(30,182)	(20)
Loss for the year	(167,678)	(109)
Other comprehensive (expense) income for the year attributable to		
– the owners of the Company	(18,640)	160
– non-controlling interests of YTHK	(4,080)	35
Other comprehensive (expense) income for the year	(22,720)	195

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2015

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

YTHK and its subsidiary (YTPAH) (Continued)

	2015 HK\$'000	2014 HK\$'000
Total comprehensive (expense) income for the year attributable to		
– the owners of the Company	(156,136)	71
– non-controlling interests of YTHK	(34,262)	15
Total comprehensive (expense) income for the year	(190,398)	86
Net cash inflow from operating activities	67,850	105,320
Net cash outflow from investing activities	(52,456)	(44,677)
Net cash outflow from financing activities	(5,045)	(876)
Net cash inflow	10,349	59,767

Five Years Financial Summary

RESULTS

	Year ended 31 December				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Revenue	586,912	399,261	446,650	497,281	344,497
(Loss) profit attributable to owners of the Company	(733,490)	(236,820)	80,266	(23,465)	(144,343)

ASSETS AND LIABILITIES

	As at 31 December				2015 HK\$'000
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	
Total assets	1,184,133	1,038,607	763,466	735,111	520,843
Total liabilities	(729,623)	(849,773)	(287,031)	(319,273)	(313,762)
Total equity	454,510	188,834	476,435	415,838	207,081