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: 195)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board ("Board") of directors ("Directors") of L'sea Resources International Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 together with comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended **30.6.2017** ***HK$'000*** **(unaudited)**	 30.6.2016 *HK$'000* (unaudited)
Revenue	*3*	**216,394**	154,949
Cost of sales		**(171,302)**	(161,378)
Gross profit (loss)		**45,092**	(6,429)
Interest income		**237**	433
Reversal of impairment loss recognised on property, plant and equipment		**—**	65,181
Reversal of impairment loss recognised on exploration and evaluation assets		**—**	22,346
Other gains and losses	*5*	**10,260**	7,506
Other expenses		**(3,301)**	(2,036)
Administrative expenses		**(15,952)**	(20,656)
Finance costs	*6*	**(7,705)**	(1,980)
Profit before taxation		**28,631**	64,365
Taxation charge	*7*	**(11,323)**	(22,861)
Profit for the period		**17,308**	41,504
Other comprehensive income for the period:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**22,302**	2,653
Total comprehensive income for the period		**39,610**	44,157
Profit for the period attributable to:			
Owners of the Company		**2,370**	30,024
Non-controlling interests		**14,938**	11,480
		17,308	41,504
Total comprehensive income for the period attributable to:			
Owners of the Company		**24,709**	28,424
Non-controlling interests		**14,901**	15,733
		39,610	44,157
Earnings per share	*10*		
Basic (HK cents)		**0.04**	0.59
Diluted (HK cents)		**N/A**	0.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**358,174**	337,967
Exploration and evaluation assets	11	**143,760**	129,836
Deposits		**12,356**	11,523
		514,290	479,326
Current assets			
Inventories		**20,532**	19,585
Trade receivables	13	**28,574**	53,276
Other receivables, prepayments and deposits		**7,520**	5,272
Held-for-trading investments	14	**3,271**	3,920
Bank balances and cash		**217,045**	160,499
		276,942	242,552
Current liabilities			
Trade payables	15	**31,211**	22,026
Other payables and accruals		**99,835**	95,264
Other borrowing	16	**54,607**	184,055
Obligations under finance lease		**18,918**	16,562
Tax payable		**9,220**	—
		213,791	317,907
Net current assets (liabilities)		**63,151**	(75,355)
Total assets less current liabilities		**577,441**	403,971

	Notes	30.6.2017 *HK$'000* (unaudited)	31.12.2016 *HK$'000* (audited)
Capital and reserves			
Share capital	*17*	**34,150**	25,650
Reserves		**446,870**	294,661
Equity attributable to owners of the Company		**481,020**	320,311
Non-controlling interests		**2,234**	(10,029)
Total equity		**483,254**	310,282
Non-current liabilities			
Obligations under finance lease		**31,590**	38,137
Deferred tax liabilities		**49,127**	43,620
Provision for rehabilitation		**13,470**	11,932
		94,187	93,689
		577,441	403,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 22 January 2008. The shares of the Company (the "Shares") are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The condensed consolidated financial statements of the Group for the six months ended 30 June 2017 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The functional currency of the Company is Australian Dollar ("AUD"). These condensed consolidated financial statements are presented in Hong Kong Dollars ("HK$") as the Directors consider that HK$ is the appropriate presentation currency since the Shares are listed on the Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2017.

The Directors consider that the application of such amendments to HKFRSs have no material impact on the condensed consolidated financial statements.

3. REVENUE

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

4. SEGMENT INFORMATION

The executive Directors 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 Operations") is the principal activity of the Group and represents one single segment. Segment information is not reported to the executive Directors for resources allocation and performance assessment purpose.

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

Revenue from major products

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

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of tin concentrate	**216,394**	152,363
Sales of copper concentrate	**—**	2,586
	216,394	154,949

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss)/gain on disposal of property, plant and equipment	**(2)**	78
Fair value change of held-for-trading investments	**(649)**	(423)
Net foreign exchange gain	**10,911**	7,851
	10,260	7,506

6. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on obligations under finance leases	**1,153**	760
Interest on other borrowing	**6,552**	—
Effective interest expense on convertible bonds	**—**	679
Other finance cost	**—**	541
	7,705	1,980

7. TAXATION CHARGE

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax charge — Australian Company Tax	**9,220**	—
Deferred tax charge	**2,103**	22,861
Taxation charge	**11,323**	22,861

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**163,090**	161,378
Depreciation of property, plant and equipment	**36,534**	31,784
Operating lease rentals in respect of rented premises	**1,413**	1,098
Staff costs (including directors' emoluments)	**60,422**	36,399

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company for each of the six months ended 30 June 2017 and 2016 is based on the following data:

	Six months ended	
	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the purposes of basic earnings per share	**2,370**	30,024
Effect of dilutive potential ordinary shares:		
— Amount recognised in profit or loss in relation to convertible bonds	**—**	(2,925)
Earnings for the purpose of diluted earnings per share	**2,370**	27,099

	’000	’000
Number of ordinary shares for the purpose of basic earnings per share	**5,280,276**	5,130,000
Effect of dilutive potential ordinary shares:		
— Convertible bonds	**—**	50,701
Number of ordinary shares for the purpose of diluted earnings per share	**5,280,276**	5,180,701

11. PROPERTY, PLANT AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

Property, plant and equipment

During the six months ended 30 June 2017, the Group had additions to the property, plant and equipment amounted to approximately HK$33,492,000 (six months ended 30 June 2016: HK$63,828,000).

Exploration and evaluation assets

During the six months ended 30 June 2017, the Group had additions to exploration and evaluation assets amounted to approximately HK$4,293,000 (six months ended 30 June 2016: HK$14,460,000).

12. IMPAIRMENT TESTING ON THE CASH GENERATING UNIT OF THE RENISON UNDERGROUND MINE

For the purposes of impairment testing, mining-related property, plant and equipment (which mainly include the mine properties and developments, buildings, construction in progress and machineries for the mine operation) 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.

The recoverable amount of the CGU of the Mining Operation of approximately AUD83,740,000 (equivalent to approximately HK$501,913,000) as at 30 June 2017 was determined based on the higher of fair value less cost 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 17.0% and cash flow projection prepared from financial forecasts approved by the Directors 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 6.55 million tonnes and it is assumed the mineral reserve is mined over approximately 9 years at a rate of up to 0.72 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, which represented the 10-year Australia government bond yield, at 2.6%. Other key assumptions for the calculation related to the estimation of cash inflows/outflows include AUD/United States Dollar (“USD”) forward exchange rate ranging from 1:0.717 to 1:0.767, forward price of tin of USD20,500 per tonne and production rate of 1.38% per tonne.

As at 30 June 2017, after the above assessment by the Group’s management, the recoverable amount of the CGU of the Mining Operation was similar to its carrying value. Accordingly, no impairment losses nor reversal of impairment losses were made on mining related property, plant and equipment and exploration and evaluation asset allocated to the CGU of the Mining Operation during the six months ended 30 June 2017.

As at 30 June 2016, in view of the increase in tin price, the recoverable amount of the CGU of the Mining Operation was higher than its carrying value. Accordingly, reversal of impairment losses on mining related property, plant and equipment and exploration and evaluation asset allocated to the CGU of the Mining Operation of approximately HK$65,181,000 and HK$22,346,000 which were allocated on a pro-rata basis, based on the respective carrying value of such assets, were recognised to profit or loss during the six months ended 30 June 2016, respectively.

13. TRADE RECEIVABLES

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**28,574**	53,276

The Group allows a credit period of 3 working days for 85% of the provisional value upon the delivery of goods and issue of provisional invoices. For the remaining 15%, the Group allows a credit period of 10 working days after mutual agreement on grade and weights of tin or copper concentrates with the customer and the issue of final invoice, which normally takes around 1 to 2 months after the delivery of goods. At the end of the reporting period the entire amount of the Group's trade receivables is due from a related party, Yunnan Tin Australia TDK Resources Pty Limited ("YTATR"), being a subsidiary of the non-controlling shareholder of a subsidiary of the Company.

The following is an aged analysis of trade receivables presented based on final invoice date at the end of the reporting period:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**28,574**	53,276

14. HELD-FOR-TRADING INVESTMENTS

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Equity securities listed in Hong Kong	**3,271**	3,920

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

During the six months ended 30 June 2017, a loss of HK$649,000 (2016: a loss of HK$423,000) in respect of the changes in fair value of held-for-trading investments was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

15. TRADE PAYABLES

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

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**22,205**	21,262
31–60 days	**8,884**	20
61–90 days	**106**	744
91–180 days	**16**	—
Total	**31,211**	22,026

16. OTHER BORROWING

Included in other borrowing is an unsecured and interest-bearing loan from Cybernaut Greentech Investment Holding (HK) Limited ("Cybernaut"). On 16 March 2016, the Company as the borrower, Power Investment Holding Limited (the "Lender"), and Mr. Xie Haiyu ("Mr. Xie") (who is a substantial shareholder of the Company) 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$176,400,000 (the "Loan") to the Company for the sole purpose of settling the principal amount payable for the redemption of the convertible bonds of the Company. The Loan was repayable in full on 31 March 2017 (the "Maturity Date of the Loan") with fixed interest of 8% per annum and denominated in HK$ which is the currency other than the functional currency of the Company.

On 29 March 2017, the Lender, with the consent from the Company and Mr. Xie, assigned all its rights and obligations under the Loan Agreement to Cybernaut. Both Cybernaut and the Lender are members of a group of companies under the control of 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-tech Investment Management Limited*).

On 29 March 2017, a supplementary loan agreement (the "Supplementary Loan Agreement") was entered into between the Company, Cybernaut and Mr. Xie to amend and restate the terms of the loan agreement primarily to extend the Maturity Date of the Loan. Under the Supplementary Loan Agreement, should the Loan Capitalisation (as defined below) take place on or before 30 June 2017 (or such date as may be agreed by the parties), the remaining outstanding principal amount of the Loan of HK$40,400,000, together with interests accrued (at fixed interest rate of 8% per annum) thereon up to the date of repayment thereof and the interest accrued (at fixed interest rate of 8% per annum) on the principal amount of the Loan of HK$136,000,000 up to completion of the Loan Capitalisation, shall be repayable on 31 March 2018.

On 29 March 2017, Cybernaut and the Company also entered into a conditional capitalisation agreement (the"Capitalisation Agreement") whereby the Company would issue 1,700,000,000 new ordinary shares of the Company of HK$0.005 each at the price of HK$0.08 per share to Cybernaut (the "Loan Capitalisation") and the consideration for the issue of such shares would be set off against HK$136,000,000 of the outstanding principal amount of the Loan. The Loan Capitalisation was subject to approval from the shareholders of the Company at an extraordinary general meeting (the "EGM") and certain other conditions.

* *for identification purpose only*

The Loan Capitalisation was approved at the EGM held on 8 June 2017 and all conditions of the Loan Capitalisation have been fulfilled. The completion of the Loan Capitalisation took place on 15 June 2017 in accordance with the terms of the Capitalisation Agreement. An aggregate of 1,700,000,000 Shares were allotted and issued to Cybernaut at a price of HK$0.08 per Share and the consideration for the issue of such Shares were set off against HK$136,000,000 of the outstanding principal amount of the Loan.

As at 30 June 2017, the carrying amount of the other borrowing was HK$54,607,000 (31 December 2016: HK$184,055,000) which included accrued interest payable of HK$14,207,000 (31 December 2016: HK$7,655,000) which will be repayable at 31 March 2018.

17. SHARE CAPITAL

	Number of Shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2016, 30 June 2016 (unaudited), 1 January 2017 and 30 June 2017 (unaudited)	20,000,000	100,000
Issued:		
At 1 January 2016, 30 June 2016 (unaudited) and 1 January 2017	5,130,000	25,650
Shares issued and allotted upon the completion of the Loan Capitalisation (note 16)	1,700,000	8,500
At 30 June 2017 (unaudited)	6,830,000	34,150

The new Shares issued during the current period rank *pari passu* with the existing Shares in all respects.

18. CAPITAL COMMITMENTS

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

	30.6.2017 ***HK$'000*** **(unaudited)**	31.12.2016 *HK$'000* (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— property, plant and equipment of JV Projects	**59,417**	—

As at 30 June 2017 and 31 December 2016, YT Parksong Australia Holding Pty Limited ("YTPAH"), a non-wholly owned subsidiary of the Company, has provided a guarantee and indemnity to a finance lessor relating to the Group's obligations of finance leases. This guarantee and indemnity are given to such finance lessor jointly and severally with the joint venturer, Bluestone Mines Tasmania Pty Limited ("BMT").

19. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2017 and 2016, the Group had entered into the following significant transactions with a related party:

	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of copper concentrate to YTATR (notes a & b)	**—**	2,586
Sales of tin concentrate to YTATR (notes a & b)	**216,394**	152,363

Notes:

(a) The price of tin/copper concentrates per dry metric ton was agreed between the Group and YTATR after taking into account the following 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 and/or tin concentrate to YTATR, which invests in Australia mineral resource projects located in Australia, and 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).

Compensation of key management personnel

The remuneration of members of key management including the executive Directors during the period was as follows:

	30.6.2017	30.6.2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Short-term benefits	**4,919**	4,592
Contributions to retirement benefit scheme	**36**	36
	4,955	4,628

20. MAJOR NON-CASH TRANSACTIONS

During the six months ended 30 June 2016, the Group entered into finance lease arrangement in respect of machineries with a total capital value at the inception of the lease of approximately HK$45,391,000.

During the six months ended 30 June 2017, 1,700,000,000 ordinary shares of the Company were issued upon the completion of the Loan Capitalisation and resulted in an increase in share capital and share premium amounted to approximately HK$8,500,000 and HK$127,500,000 respectively.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

	Fair value as at		**Fair value hierarchy**	**Valuation technique and key input(s)**
	30.6.2017	31.12.2016		
	HK$'000	*HK$'000*		
	(unaudited)	(audited)		
Investment in listed equity securities classified as held-for-trading investments in the condensed consolidated statement of financial position	**3,271**	3,920	Level 1	Quoted bid prices in an active market

22. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 15 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2017, the tin price benefited from the downtrend of USD, the expectation of increasing interest rate in the United States of America and the joint action of cutting production by major tin enterprises in the People's Republic of China (the "PRC"). During the review period, tin price reached its highest at USD21,290 per tonne in January 2017, and fell to its lowest at USD18,750 per tonne in February 2017. The average tin price maintained at USD19,983 per tonne in the first half of 2017.

The total tin metal production at the Renison underground mine in the first half of 2017 was 3,486 tonnes (the first half of 2016: 2,829 tonnes), representing an increase of approximately 23.2% when comparing with the same period in last year. The increase was mainly due to the focus on the high head grade area for mining activities and the use of new equipment which increased the mining efficiency.

The unaudited consolidated revenue of the Group for the six months ended 30 June 2017 amounted to approximately HK$216,394,000 (30 June 2016: approximately HK$154,949,000), an increase of approximately 39.7% when comparing with the same period in last year. The Group had a gross profit of approximately HK$45,092,000 (30 June 2016: a gross loss of approximately HK$6,429,000) with gross profit margin at approximately 20.8% (30 June 2016: a gross loss margin at approximately 4.1%). The gross profit was caused by the increase in production volume and significant increase in the tin price during the period. The Group's profit for the period amounted to approximately HK$17,308,000 (30 June 2016: approximately HK$41,504,000). A decrease of approximately 58.3% when comparing with the first half of 2016, the main reason is that in the same period in last year, the Group booked a reversal of impairment losses of HK$65,181,000 and HK$22,346,000 on mining related property, plant and equipment and exploration and evaluation assets respectively allocated to the cash generating unit ("CGU") of the Renison underground mine based on the latest estimated recoverable amount of these assets of the mine as at 30 June 2016 whereas for the six months ended 30 June 2017, no such reversal of impairment loss was made.

Since 1 May 2016, the Australian Joint Venture, Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"), started its own mining operation, and focused on the high head grade area for mining activities to increase the tin metal production volume.

It is currently estimated that the Rentails Project (for details please refer to section headed "Mine Information") will involve total construction capital of approximately AUD205 million +/–15%, working capital of AUD15 million and sustaining capital over the life of the operation of AUD23 million. The updated definitive feasibility study provides a positive business case for the Rentails Project based on an assumed tin price of USD20,000 per tonne and exchange rate of USD0.75 for AUD1.00. On the basis of the results of the updated definitive feasibility study, the Group is currently considering various factors including but not limited to the availability of funding and relevant statutory approvals before making any final investment decision in the Rentails Project. At present, no final investment decision in relation to the Rentails Project has been made and the development plan of the Rentails Project may or may not proceed.

Looking forward to the second half of 2017, BMTJV entered into an engineering and construction agreement with Scope Engineering Services Pty Limited for the installation of a new crushing and ore sorting facility at the Renison Tin Mine in Tasmania. The total capital cost for the project is estimated to be approximately AUD14 million, of which 50% will be borne by YTPAH. The project will include the construction of a new purpose-built three stage crushing, screening and ore sorting plant for the purpose of reducing processing unit cost per tonne of metal produced, increasing metal production and improving resource utilisation by removing barren material prior to the grinding circuit and other downstream processing stages. Earthworks for construction of such plant have commenced and practical completion is currently scheduled for April 2018.

Management Agreement

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

LITIGATION

HCA 1357/2011

The legal proceedings involves the disputes regarding the sale and purchase agreement dated 13 July 2010 ("Parksong S&P Agreement") in relation to the sale and purchase of the entire issued share capital of Parksong signed between Mr. Chan 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$90,765,000), being the alleged amount of the "Receivables" which Mr. Chan alleged is entitled under the Parksong S&P Agreement ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan for his breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 (as "D&C2") and re-amended on 31 August 2016 (as"D&C3"). Under the D&C3, 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 under the Parksong S&P Agreement ("Payables") (apart from the amount of AUD476,393 under (2) below; (2) the Company and GPL are disputing that Mr. Chan is entitled to claim the amount of AUD3,048,387.10 forming part of the Receivables and claim Mr. Chan for the sum of AUD476,393 forming part of the Payables in respect to cut-off of called cash payment as at the Completion Date; (3) 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 Yunnan Tin Hong Kong (Holding) Group Co. Ltd. ("Yunnan Tin HK"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; and/or further the said advanced sum of AUD16.3 million may be an amount owed to one of its shareholder, Yunnan Tin PRC, by Yunnan Tin HK which is not recorded in the relevant accounts (and thus amounts to an additional amount under the Payables (as defined above)) which Mr. Chan is liable to compensate GPL for the said advanced sum of AUD16.3 million; (4) Mr. Chan unilaterally caused an Australian subsidiary of Yunnan Tin HK, YTPAH, to enter into a tin concentrate package purchase underwriting agreement and a management agreement with YTATR. for a period of life of the mine on 1 December 2010, without the consent of GPL; and (5) the claim sum of USD2,059,897 due to production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date and compensation for each of the second and third anniversaries to be assessed. Under the D&C3, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD476,393, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$173,896,000 in total) and damages etc.

Save and except that Mr. Chan has admitted in his Reply and Defence to Counterclaim dated 9 December 2011 and subsequently amended on 10 July 2012 (as "R&DC2") and 5 June 2013 (as "R&DC3") and 2 June 2017 (as "R&DC4") that (1) the third set of documents as pleaded in the D&C3 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 D&C3.

Mr. Chan, 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 the D&C2 including the AUD16.3 Million Issue. An application for joinder of parties to engage Yunnan Tin PRC and Yunnan Tin HK was also made in July 2014 ("the said Joinder Application"). Further, an application for expert evidence ("the said Expert Evidence Application") on various issues (as mentioned below) including the AUD16.3 Million Issue was made in August 2014. Meanwhile, GPL and the Company also sought confirmation from Yunnan Tin PRC 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 Yunnan Tin HK. On 3 June 2015, Mr. Chan also made application to amend the R&DC3 on the AUD16.3 Million Issue ("Plaintiff's Amendment 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$29,702,000 in total). However, the Company and GPL are now making application to engage expert to provide expert's opinion on these amounts under the said Expert Evidence Application.

Apart from the above, requests for further expert evidence on the amount of the Receivables under Mr. Chan's Claim and the amount of the 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 the said Joinder Application, the said Expert Evidence Application and application for the Defendants' pleading amendment ("Defendants' Amendment Application"), further hearings on such applications had originally been scheduled on 28-29 July 2015. As mentioned above, the Plaintiff's Amendment Application was made by Mr. Chan on 3 June 2015. The Plaintiff's Amendment Application and the Defendants' Amendment Application were first heard on 28-29 July 2015 with the result that the said Joinder Application and the said Expert

Evidence Application had to be further adjourned. On 4 August 2016, a decision was handed down by the Court under which the Plaintiff's Amendment Application was dismissed while the Defendants' Amendment Application was allowed. On 10 April 2017, Yunnan Tin PRC issued an application for joinder of parties and demanded Mr. Chan to better formulate his claim under the R&DC4 so that the disputes between all parties could be better dealt with. After the directions hearing on 20 April 2017, the hearing of the said Joinder Application and the said Expert Evidence Application was further adjourned to 19–20 December 2017.

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.

FINANCIAL REVIEW

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2017 amounted to approximately HK$216,394,000 (30 June 2016: approximately HK$154,949,000), an increase of 39.7% when compared to the same period of last year. The Group's revenue increased due to the increase in production volume and significant increase in the tin price during the period.

Cost of sales

Cost of sales includes mainly direct material costs, direct labour costs and manufacturing overhead absorbed during the production process of our products. It was approximately HK$171,302,000 for the six months ended 30 June 2017 (30 June 2016: approximately HK$161,378,000), representing approximately 79.2% of the revenue recorded in the corresponding period (last period: approximately 104.1%).

Gross profit (loss)

The Group had a gross profit of approximately HK$45,092,000 (30 June 2016: gross loss of approximately HK$6,429,000) with gross profit margin at 20.8% for the six months ended 30 June 2017 (30 June 2016: gross loss margin at 4.1%).

Administrative expenses

Administrative expenses, which represented approximately 7.4% of the Group's revenue, decreased by 22.8% from approximately HK$20,656,000 for the six months ended 30 June 2016 to approximately HK$15,952,000 for the six months ended 30 June 2017.

Finance costs

Finance costs representing approximately 3.6% of the Group's revenue in this period, increased from approximately HK$1,980,000 for the six months ended 30 June 2016 to approximately HK$7,705,000 for the six months ended 30 June 2017, the increase was mainly due to increase in interest on other borrowing.

Liquidity and Financial Resources

The Group financed its operations through internally generated cash flows and borrowings. As at 30 June 2017, the Group did not have any bank facilities but had obligation under finance lease of HK$50,508,000 (31 December 2016: HK$54,699,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 38.9% as at 30 June 2017 (31 December 2016: 57.0%).

As at 30 June 2017, the Group had net current assets of approximately HK$63,151,000 (31 December 2016: net current liabilities of approximately HK$75,355,000). Current ratio as at 30 June 2017 was 1.3 (31 December 2016: 0.8). The bank and cash balance of the Group as at 30 June 2017 was HK$217,045,000 (31 December 2016: approximately HK$160,499,000).

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

During the period, the Group's revenue and trade receivables were mainly denominated in USD while the Group's expenses and trade payables were mainly denominated in AUD 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.

Loan Capitalisation

On 16 March 2016, the Company as the borrower, Power Investment Holding Limited (the Lender), and Mr. Xie (who is a substantial shareholder of the Company) as the guarantor, entered into Loan Agreement pursuant to which the Lender has agreed and granted a loan in the principal sum of HK$176,400,000 (i.e. the Loan) to the Company for the sole purpose of settling the principal amount for the redemption of the convertible bonds of the Company. The Loan was repayable in full on 31 March 2017 (i.e. the Maturity Date of the Loan) with fixed interest of 8% per annum and denominated in HK$ which is the currency other than the functional currency of the Company.

On 29 March 2017, the Lender, with the consent from the Company and Mr. Xie, assigned all its rights and obligations under the Loan Agreement to Cybernaut. Both Cybernaut and the Lender are members of a group of companies under the control of 北京賽伯樂綠科投資管理有限公司.

On 29 March 2017, the Supplementary Loan Agreement was entered into between the Company, Cybernaut and Mr. Xie to amend and restate the terms of the loan agreement primarily to extend the Maturity Date of the Loan. Under the Supplementary Loan Agreement, should the Loan Capitalisation (as defined below) take place on or before 30 June 2017 (or such date as may be agreed by the parties), the remaining outstanding principal amount of the Loan of HK$40,400,000, together with interests accrued (at fixed interest rate of 8% per annum) thereon up to the date of repayment thereof and the interest accrued (at fixed interest rate of 8% per annum) on the principal amount of the Loan of HK$136,000,000 up to completion of the Loan Capitalisation, shall be repayable on 31 March 2018.

On 29 March 2017, Cybernaut and the Company also entered into the Capitalisation Agreement whereby the Company would issue 1,700,000,000 new ordinary shares of the Company of HK$0.005 each at the price of HK$0.08 per share to Cybernaut (the "Loan Capitalisation") and the consideration for the issue of such shares would be set off against HK$136,000,000 of the outstanding principal amount of the Loan. The Loan Capitalisation was subject to approval from the shareholders of the Company at an EGM and certain other conditions.

The Loan Capitalisation was approved at the EGM held on 8 June 2017 and all conditions of the Loan Capitalisation have been fulfilled. The completion of the Loan capitalisation took place on 15 June 2017 in accordance with the terms of the Capitalisation Agreement. An aggregate of 1,700,000,000 Shares were allotted and issued to Cybernaut at a price of HK$0.08 per Share and the consideration for the issue of such Shares were set off against HK$136,000,000 of the outstanding principal amount of the Loan.

Charges of assets

As at 30 June 2017, our obligation under finance lease of HK$50,508,000 (31 December 2016: HK$54,699,000) was secured by property, plant and equipment of an amount of approximately HK$43,304,000 (31 December 2016: approximately HK$50,688,000).

Contingent Liabilities

As at 30 June 2017, except for the litigation as set out in the litigation section of this announcement, the Group did not have any significant contingent liabilities.

Capital Commitments

The Group had HK$59,417,000 capital commitment as at 30 June 2017 (31 December 2016: Nil).

Significant Investments

For the six months ended 30 June 2017, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$37,785,000 (30 June 2016: approximately HK$63,828,000). As at 30 June 2017, the Group's equity securities listed in Hong Kong amounted to approximately HK$3,271,000 (31 December 2016: approximately HK$3,920,000).

Interim Dividend

The Board has resolved not to declare an interim dividend for the period ended 30 June 2017 (30 June 2016: Nil).

Material Acquisition and Disposal

There was no material acquisition and disposal during the period ended 30 June 2017.

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, 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 six months ended 30 June 2017.

Employees and Remuneration Policy

As at 30 June 2017, the Group (other than those employed by BMTJV mentioned below) employed approximately 28 employees (31 December 2016: 28). 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 PRC. The employees for mining operation are employed by BMTJV on behalf of YTPAH and 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.

MINES INFORMATION

Renison Tin Project

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

The Renison Tin Project is based on BMT's assets which 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 Project").

After the mining contract with the contractor "Barminco" expired on 31 March 2016, BMTJV established its own operation team. In order to ensure a smooth handover of the mining operation, BMTJV extended the mining contract to 30 April 2016. From 1 May 2016 onwards, BMTJV started its own operation of mining activities.

In June 2017, BMTJV entered into an engineering and construction agreement with Scope Engineering Services Pty Limited for the installation of a new crushing and ore sorting facility at the Renison Tin Mine in Tasmania. The total capital cost for the project is estimated to be approximately AUD14 million, of which 50% will be borne by YTPAH. The project will include the construction of a new purpose-built three stage crushing, screening and ore sorting plant for the purpose of reducing processing unit costs per tonnes of metal produced, increasing metal production and improving resource utilisation by removing barren material prior to the grinding circuit and other downstream processing stages. Earthworks for construction of such plant have commenced and practical completion is currently scheduled for April 2018.

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

Drilling Data

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

Each development face/round is horizontally chip sampled at the Renison underground mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/ sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m 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 the 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. A lengthy history of mining has shown that this sample spacing is appropriate for the Mineral Resource estimation process.

Sampling/Assaying

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

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

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

Geology/Geological Interpretation

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

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

Database

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

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

Estimation and modelling techniques

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

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

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

Grade estimation utilizes 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 in dry tonnes.

Cut-Off Grade

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

Metallurgical and Mining Assumptions

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

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

Classification

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

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

Capital expenditure and operating expenses

For the six months ended 30 June 2017, a total of approximately HK$37,785,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses of BMTJV for the six months ended 30 June 2017

Included	*HK$'000*
Mining costs — labour	39,386
Mining costs — others	88,740
Processing costs — labour	15,487
Processing costs — others	60,993
Financing costs	2,308

Operating Expenses of YTPAH for the six months ended 30 June 2017

Included	*HK$'000*
Transportation	864
Royalties/fee payable to government	8,212

Capital Expenditure for the six months ended 30 June 2017

Addition	*HK$'000*
Property, Plant and Equipment	33,492
Exploration and Evaluation Assets	4,293
Total	37,785

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.

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

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 of 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 Bassett 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 Project

The Rentails Project is based on the retreatment of process tailings which have accumulated since the commencement of mining at the Renison underground mine. It involves the retreatment of approximately 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 the Renison underground mine. The contained tin within these dams is approximately 98,900 tonnes, one of the largest tin resources in Australia. In relation to the additional construction capital for the recovery of Rentails Project, it is currently estimated that the Rentails Project will involve a total construction capital of approximately AUD205 million +/–15%, working capital of AUD15 million and sustaining capital over the life of the operation of AUD23 million. The updated definitive feasibility study provides a positive business case for the Rentails Project based on an assumed tin price of USD20,000 per tonne and exchange rate of USD0.75 for AUD1.00.

On the basis of the results of the updated definitive feasibility study, the Group is currently considering various factors including but not limited to the availability of funding and relevant statutory approvals before making any final investment decision in the Rentails Project. At present, no final investment decision in relation to the Rentails Project has been made and the development plan of the Rentails Project may or may not proceed. Therefore, the Company is of the view that Rentails Project should continue to carry zero value.

Renewal of mining lease

The mining lease in respect of the Renison underground mine has expired on 1 August 2016. YTPAH and BMT have already applied to Mineral Resources Tasmania of Tasmania Government for renewal of such lease before its expiry. As per section 98 (3)(a) of the Mineral Resources Development Act 1995, a lease continues to be in force if an application for renewal is made but not granted before it ceases to be in force, until the application is granted, refused or withdrawn, whichever occurs first. Up to the date of this announcement, the application is still in process and it is not yet granted, refused or withdrawn.

Installation of a new crushing and ore sorting facility

BMTJV entered into an engineering and construction agreement with Scope Engineering Services Pty Limited for the installation of a new crushing and ore sorting facility at the Renison Tin Mine in Tasmania. The total capital cost for the project is estimated to be approximately AUD14 million, of which 50% will be borne by YTPAH. The project will include the construction of a new purpose-built three stage crushing, screening and ore sorting plant for the purpose of reducing processing unit cost per tonne of metal produced, increasing metal production and improving resource utilisation by removing barren material prior to the grinding circuit and other downstream processing stages. Earthworks for construction of such plant have commenced and practical completion is currently scheduled for April 2018.

OTHER INFORMATION

Purchase, Sales or Redemption of the Company's Listing Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2017.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Board, the Board confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the period ended 30 June 2017.

Review of Interim Results

The Group's unaudited interim results for the six months ended 30 June 2017 have been reviewed by the audit committee of the Company (the "Audit Committee"), and by the auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Audit Committee comprises all of the three independent non-executive directors ("INEDs"), namely Mr. Chi Chi Hung, Kenneth (Chairman), Mr. Deng Shichuan and Mr. James Munn.

Corporate Governance Code

In the opinion of the Directors, save and except the deviation disclosed herein below, the Company has complied with the Corporate Governance Code (the "Code") as set out in Appendix 14 to Listing Rules during the six months ended 30 June 2017.

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, the Chief Executive Officer of the Company, Mr. Nie Dong, is also assuming duties of the Chairman. The Board is of the view that the current structure will not be detrimental to the balance of power between the Board and the management of the Company. Such balance of power is further assured by the following measures:

- the Audit Committee shall only comprise INEDs; and
- the INEDs may at any time communicate with the external auditor of the Company to seek independent professional advices when they deem necessary.

Further, pursuant to Code Provision A.6.7 of the Code, INEDs and other non-executive directors, as equal board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. Due to other pre-arranged commitments, Mr. Cheung Wai Kuen, Mr. Wang Chuanhu, Mr. Deng Shichuan and Mr. James Munn could not attend the annual general meeting of the Company held on 8 June 2017.

Compliance with Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

Publication of Interim Results

This interim results announcement is published on the website of The Hong Kong Exchanges and Clearing Limited *(http://www.hkexnews.hk)* and the Company *(http://www.lsea-resources.com)*. The interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders and will be available on the website of The Hong Kong Exchanges and Clearing Limited and the Company in due course.

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

Hong Kong, 15 August 2017

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely, Mr. CHEUNG Wai Kuen, Mr. NIE Dong, Mr. WANG Chuanhu and Dr. SHI Simon Hao and three independent non-executive directors, namely, Mr. CHI Chi Hung, Kenneth, Mr. DENG Shichuan and Mr. James MUNN.

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