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**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 Cayman Islands with limited liability)*

**(Stock Code: 00195)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

The board of directors (the “Board”) of L’sea Resources International Holdings Limited (the “Company”) announces that the consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2014*

	Notes	Six months ended	
		30.6.2014 HK\$'000 (Unaudited)	30.6.2013 HK\$'000 (Unaudited)
Revenue	3	241,066	229,867
Cost of sales		<u>(213,409)</u>	<u>(231,528)</u>
Gross profit (loss)		27,657	(1,661)
Interest income		420	5
Other income		76	-
Other gains and losses	5	816	238,537
Administrative expenses		(31,582)	(28,284)
Finance costs	6	<u>(11,979)</u>	<u>(28,699)</u>
(Loss) profit before taxation		(14,592)	179,898
Taxation (expense) credit	7	<u>(7,493)</u>	131
(Loss) profit for the period	8	<u>(22,085)</u>	<u>180,029</u>
Other comprehensive income (expense) for the period:			
<i>Items that will not be reclassified to profit or loss:</i>			
-Exchange differences arising on translation to presentation currency		27,943	(64,986)
Total comprehensive income for the period		<u>5,858</u>	<u>115,043</u>

	Notes	Six months ended	
		30.6.2014 HK\$'000 (unaudited)	30.6.2013 HK\$'000 (unaudited)
(Loss) profit for the period attributable to:			
Owners of the Company		(32,432)	195,603
Non-controlling interests		10,347	(15,574)
		<u>(22,085)</u>	<u>180,029</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(4,771)	131,622
Non-controlling interests		10,629	(16,579)
		<u>5,858</u>	<u>115,043</u>
(Loss) profit per share (HK cents) Basic and diluted	10	<u>(0.63)</u>	<u>4.36</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30.6.2014	31.12.2013
	Notes	HK'000 (unaudited)	HK'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	242,241	223,256
Mining rights	11	107,797	67,940
Exploration and evaluation assets	11	216,228	246,586
Other assets		13,911	14,184
		<u>580,177</u>	<u>551,966</u>
<b>Current assets</b>			
Inventories		21,066	16,069
Trade receivables	12	49,023	36,488
Other receivables, prepayments and deposits		27,963	12,310
Held-for-trading investments	13	6,007	24,464
Deposits		1,140	-
Bank balances and cash		123,986	122,169
		<u>229,185</u>	<u>211,500</u>
<b>Current liabilities</b>			
Trade payables	14	38,035	36,355
Other payables, deposits received and accrual		110,965	96,131
Amount due to non-controlling shareholder of a subsidiary		4,942	4,658
Amounts due to a related company		1,177	1,186
Obligations under finance leases		498	456
		<u>155,617</u>	<u>138,786</u>
<b>Net current assets</b>		<u>73,568</u>	<u>72,714</u>
<b>Total assets less current liabilities</b>		<u>653,745</u>	<u>624,680</u>

	Notes	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
<b>Capital and reserves</b>			
Share capital	15	25,650	25,650
Reserves		446,418	451,189
<hr/>			
Equity attributable to owners of the Company		472,068	476,839
Non-controlling interests		10,225	(404)
Total equity		<u>482,293</u>	<u>476,435</u>
 <b>Non-current liabilities</b>			
Deferred taxation		18,192	9,873
Convertible bonds		135,059	123,108
Obligations under finance leases		355	571
Provision for rehabilitation		17,846	14,693
		<u>171,452</u>	<u>148,245</u>
		<u>653,745</u>	<u>624,680</u>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 June 2014*

### **1. GENERAL AND BASIS OF PREPARATION**

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

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

The condensed consolidated financial statements 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 of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). These condensed consolidated financial statements are presented in Hong Kong Dollars (“HK\$”).

### **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 2014 are consistent with those followed in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount disclosures for non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

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

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

The directors of the Company consider that the application of these amendments to HKAS 36 have no significant impact on the Group’s condensed consolidated financial statements.

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

### **3. 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.

#### 4. SEGMENT INFORMATION

The chief operating decision makers have been identified as executive directors of the Company. The executive directors consider exploration, development and mining of tin and copper bearing ores in Australia (“mining operation”) is the principal activity of the Group and represents one single segment. Segment information is not reported to the executive directors of the Company for resources allocation and assessment purpose.

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

#### Revenue from major product

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

#### 5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	23	2,700
Impairment loss recognised on property, plant and equipment	(3,911)	-
Fair value change of held-for-trading investments	(3,657)	(2,738)
Gain on early redemption on Convertible bonds	-	227,499
Net foreign exchange gain	8,361	11,076
	<u>816</u>	<u>238,537</u>



## 6. FINANCE COSTS

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on:		
Obligations under finance leases		
wholly repayable within five years	28	468
Loan from a director	-	702
Loan from a related company	-	411
Other borrowings	-	6,264
Convertible bonds	11,951	20,854
	<u>11,979</u>	<u>28,699</u>

## 7. TAXATION (EXPENSE) CREDIT

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Deferred tax (expense) credit	<u>(7,493)</u>	<u>131</u>

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

## 8. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the period has been arrived at after charging:		
Auditor's remuneration	1,159	900
Cost of inventories recognised as an expense	213,409	231,528
Depreciation of property, plant and equipment	27,240	35,238
Amortisation of mining rights	10,609	22,080
Operating lease rentals in respect of rented premises	1,496	2,846
Staff costs (including director's emoluments)	6,557	5,489

## 9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: nil).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for each of the six months ended 30 June 2014 and 2013 is based on the consolidated (loss) profit attributable to the owners of the Company for the respective periods:

	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(Loss) profit for the purpose of basic and diluted (Loss) earning per share:		
(Loss) profit for the period attributable to owners of the company	<u>(32,432)</u>	<u>195,603</u>
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	'000	'000
	<u>5,130,000</u>	<u>4,483,591</u>

The incremental shares from assumed conversion of convertible bonds are excluded in the calculating the diluted earnings per share for the six months ended 30 June 2014 as the effect of which would decrease the loss per share (2013: increase the earnings per share).

## 11. PROPERTY, PLANT AND EQUIPMENT, MINING RIGHTS AND EXPLORATION AND EVALUTATION ASSETS

### Property, plant and equipment

During the six months ended 30 June 2014, Group had additions to the property, plant and equipment amounted to approximately HK\$32 million (six months ended 30 June 2013: HK\$47 million).

### Mining rights and Exploration and evaluation assets

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

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

## 12. TRADE RECEIVABLES

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables	<u>49,023</u>	<u>36,488</u>

The Group allows a credit period of 10 days after mutual agreement on grade and weights of tin concentrates with the customers. 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.

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

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0-30 days	39,657	36,488
31-60 days	7,428	-
61-90 days	1,938	-
	<u>49,023</u>	<u>36,488</u>

## 13. HELD-FOR-TRADING INVESTMENTS

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Equity securities listed in Hong Kong	<u>6,007</u>	<u>24,464</u>

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

During the six months ended 30 June 2014, a loss of HK\$3,657,000 (2013: a loss of HK\$2,738,000) 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.

#### 14. TRADE PAYABLES

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

	30.6.2014 HK\$'000 (unaudited)	31.12.2013 HK\$'000 (audited)
0-30 days	33,566	35,407
31-60 days	4,469	948
	<u>38,035</u>	<u>36,355</u>

#### 15. SHARE CAPITAL

	Number of Shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.005 each		
Authorised:		
At 1 January 2014 and 30 June 2014 (unaudited)	<u>20,000,000</u>	<u>100,000</u>
Issued:		
At 1 January 2014 and 30 June 2014 (unaudited)	<u>5,130,000</u>	<u>25,650</u>

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

## 16. 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:

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— property, plant and equipment of the JV Projects	<u>2,646</u>	<u>1,075</u>

As at 30 June 2014 and 31 December 2013, YT Parksong Australia Holding Pty Limited 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..

## 17. RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014 and 2013, the Group had entered into the following significant transactions with a related party:

	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales to Yunnan Tin Australia TDK Resources Pty Ltd (Note)	<u>241,066</u>	<u>229,867</u>

*Note:* The price of tin concentrates per dry metric ton was agreed by the abovementioned parties after taking into account the factors:

- (i) the London Metal Exchange cash settlement average price of tin metal;
- (ii) the treatment charge per dry metric ton;
- (iii) deduction based on the final tin content; and
- (iv) penalty for impurity.

## 18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities 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 and financial liabilities 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 techniques and key input(s)
	30.6.2014	31.12.2013		
	HK\$'000	HK\$'000		
	(unaudited)	(audited)		
Investments in listed equity securities classified as investments held for trading in the condensed consolidated statement of financial position	<u>6,007,000</u>	<u>24,464,000</u>	Level 1	Quoted bid prices in an active market

## 19. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited condensed consolidated financial statements were approved and authorised for issue by the Board on 29 August 2014.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

In the first half of 2014, the global economy grew at a slow pace with slight fluctuation in tin price. During the first half of 2014, tin price fell to its lowest at USD21,495 per tonne at the beginning of January, and then rallied back to its highest at USD23,900 per tonne at the end of April as economic data released in April indicated a rising consumer confidence trend. The PRC's PMI was improving in June, which shows an on-going slow recovery in the manufacturing industry. The US economy maintained a growth momentum with consensus expectation of sustainable economic recovery. Boosted by these favorable factors, tin price is expected to range between USD21,500 and USD25,000 per tonne in the second half of the year.

In the first half of 2014, the production and operation of Renison Mine showed a stable and upward trend. The total tin production at the mine from January to June 2014 was 3,096 tonnes (January to June 2013: 3,032 tonnes), representing an increase of approximately 2.1%. The Australian joint venture, Bluestone Mines Tasmania Joint Venture Pty Limited, appointed a new general manager in late February due to the resignation of the former general manager. Benefiting from the adjustment in mining, mine blending, processing and other production processes, the total tin production from April to June amounted to 1,685 tonnes, representing an increase of approximately 19.4% as compared with 1,411 tonnes as recorded in the first quarter. With emphasis on environmental protection, health and safety, performance of contractors and product quality control, the management team of Renison Mine made strenuous efforts to make continuous improvement in these scopes.

Concerning the Rentails Project, the Australian joint venture entrusted Yunnan Tin Group (Holding) Co., Limited ("Yunnan Tin PRC") to carry out study on tailing technology. The relevant report was completed in April this year, and has been reviewed by the Australian joint venture. The Australian joint venture is considering various factors including the economic benefit, production technique, financing proposal and project valuation, so as to make a prudent and full assessment of the Rentails Project.



As for the Mount Bischoff Project, the open mine has been suspended and under care and maintenance after the completion of reserves extraction at the end of July 2010. No concrete or updated plan has been made for re-opening of the mine.

The growth of global economy is expected to accelerate in the second half of 2014. US Dollars are expected to remain strong, which will benefit the Group's exchange gain from the sales of tin concentrates (denominated in US Dollars). Copper concentrates produced in Renison Mine has attained the quantity available for sales. At the beginning of August, the Australian subsidiary of the Group entered into a copper concentrates sales contract with a subsidiary of Yunnan Tin PRC, which will bring additional revenue contribution to the Group. Moreover, the Australian joint venture strives to enhance production capacity by continuously enhancing efficiency of mining, mine blending, processing and other production processes, together with striving to increase resources and reserves and making best utilization of existing resources, so as to drive profit growth of the Group.

## **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\$107,387,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and

stated that GPL has suffered loss and damage by reason of the following : (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement (“Payables”); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million (“AUD16.3 Million Issue”) to a Hong Kong company (“HK Co.”), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) In breach of the Parksong S&P Agreement, Mr. Chan has unilaterally caused an Australian subsidiary of the HK Co. to enter into two agreements with another Australian company without the consent of GPL; and (4) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement (“Production Shortfall”). Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK\$199,305,000 in total) and damages etc.

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

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

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

The compensation of production shortfall is based on Mr. Chan's production guarantee of 6,500 tonnes of contained tin in concentrate for each of the three anniversaries from the Completion Date under the Parksong S&P Agreement. The actual production of contained tin in concentrate for the three anniversaries were confirmed to be approximately 4,979 tonnes, 6,159 tonnes and 6,013 tonnes respectively, resulting in respective shortfalls of 1,521 tonnes, 341 tonnes and 487 tonnes. GPL's claims on compensation for the above production shortfalls are in the sum of approximately AUD3,284,201, AUD650,205 and AUD1,021,181 respectively (approximately of HK\$35,142,000 in total).

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

#### **CALL OPTION**

On 28 January 2010, YT Parksong Australia Holding Pty Limited ("YTPAH"), a non-wholly owned subsidiary of Parksong, entered into an acquisition agreement ("Acquisition Agreement") with Bluestone Mines Tasmania Pty Limited ("BMT") and Yunnan Tin PRC.

Pursuant to the Acquisition Agreement, apart from YTPAH's acquiring a 50% of BMT's assets as at the date of completion (the "Assets") from BMT, BMT has granted the Call Option to YTPAH to purchase from BMT a further 10% of the Assets exercisable from 19 March 2010 to 18 March 2012 with the following conditions:

- if the Call Option is exercised from 19 March 2010 to 18 March 2011, the consideration will be AUD 10 million; or
- if the Call Option is exercised from 19 March 2011 to 18 March 2012, the consideration will be AUD 10 million if the production on contained tin in concentrate is more than 6,000 tonnes from 19 March 2010 to 18 March 2011 and average cost of production on contained tin in concentrate is not greater than AUD14,403.46 per tonne ("Performance Criteria"). The consideration will be reduced to AUD5 million if the Performance Criteria cannot meet.

At the same time, YTPAH has granted the Put Option to BMT that BMT can require YTPAH to purchase a further 10% of the Assets exercisable from 19 March 2011 to 18 March 2012 with the following conditions:

- if Performance Criteria are achieved, the consideration will be AUD10 million; or
- if Performance Criteria are not achieved, the Put Option will lapse immediately.

After considering the latest production volume at the Completion Date, the Board considered the Performance Criteria are unachievable as there are only two weeks left behind from the measurement period of Performance Criteria to catch up the shortfall. As a result, the Board considered the Put Option will be eventually lapsed and determined the fair value of the Put Option at the Completion Date is zero.

As the exercisable right of the Call Option would be expired on 18 March 2012, YTPAH sent a notice to BMT purporting to exercise the Call Option on 16 March 2012. BMT considered that the Call Option was previously relinquished by YTPAH and the purported notice to exercise the Call Option is not served by BMT.

The Group reaffirms that YTPAH still has the legal right of the Call Option and reserves its right to proceed legal actions against BMT in order to advocate the exercise of the Call Option and/or to claim the related damages.

## **FINANCIAL REVIEW**

### **Revenue, cost of sales and gross profit and margin**

The Group's unaudited consolidated revenue and loss attributable to the owners of the Company for the period ended 30 June 2014 amounted to approximately HK\$241.1 million (30 June 2013: approximately HK\$229.9 million) and HK\$32.4 million (30 June 2013: profit attributable to the owners of the Company approximately HK\$195.6 million) respectively, which showed an increase of 4.9% and a change from profit to loss when compared to the same period of last year respectively. The Group's revenue increased due to the increase in the total production volume of tin by 2.1% of Renison underground mine in the period under review and average tin price in the period under review being 1.8% higher than that of same period of last year. The decrease in profit attributable to the owners of the Company was mainly due to the presence of a significant gain from the repurchase of convertible bonds at a discount to face value for the period ended 30 June 2013 and the absence of such gain for the period ended 30 June 2014.

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\$213.4 million for the period ended 30 June 2014 (30 June 2013: approximately HK\$231.5 million), representing 88.5% of the revenue recorded in the corresponding period (last period: 100.7%). The decrease in cost of sales was mainly due to the decrease in depreciation and amortization rate on mining property and mining right as a result of the reported substantial increase in reserve as at 31 December 2013.

The Group had a gross profit of approximately HK\$27.7 million (30 June 2013: gross loss of approximately HK\$1.7 million) with gross profit margin at 11.5% for the period ended 30 June 2014 (30 June 2013: gross loss margin of 0.7%) and an increase of approximately 10.8 percentage points in a gross profit margin, due to an improvement in production efficiency during the period under review.

#### **Other gains and losses**

The Group recorded other gains was approximately HK\$0.8 million for the six months ended 30 June 2014 (30 June 2013: approximately HK\$238.5 million). The decrease in other gains was mainly due to absence of the gain on the repurchase of convertible bonds during the period under review but presence of that gain during the same period of last year.

#### **Administrative expenses**

Administrative expenses, which represented approximately 13.1% of the Group's revenue, increased by approximately 11.6% from approximately HK\$28.3 million for the six months ended 30 June 2013 to approximately HK\$31.6 million for the six months period ended 30 June 2014, mainly due to increase in legal fee related to "Litigation" as disclosed under Management Discussion and Analysis section of this announcement.

#### **Finance costs**

Finance costs representing approximately 5% of the Group's revenue in this period, decreased from approximately HK\$28.7 million for the period ended 30 June 2013 to approximately HK\$12.0 million for the six months ended 30 June 2014. Such decrease was mainly due to the decrease in effective interest expenses on the convertible bonds.

**Taxation**

The Group recorded an income tax expense of approximately HK\$7.5 million for the six months ended 30 June 2014. Provision for Australian Income Tax has been made at the statutory rate of 30% on the estimated assessable profits arising in Australia during the period. The estimated average annual tax rate adopted for the period ended 30 June 2014 is 30%.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operations through internally generated cash flows and borrowings. As at 30 June 2014, the Group did not have any bank facilities but had obligation under finance lease of approximately HK\$0.9 million (31 December 2013: approximately HK\$1.0 million). The gearing ratio of the Group, calculated as a ratio of bank borrowings to total assets, was 0.1% as at 30 June 2014 (31 December 2013: 0.1%).

As at 30 June 2014, the Group had net current assets of approximately HK\$73.6 million (31 December 2013: approximately HK\$72.7 million). Current ratio as at 30 June 2014 was 1.5 (31 December 2013: 1.5). The bank and cash balance of the Group as at 30 June 2014 was approximately HK\$124.0 million (31 December 2013: approximately HK\$122.2 million).

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

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

**CHARGES OF ASSETS**

As at 30 June 2014, our obligation under finance lease of approximately HK\$0.9 million was secured by property, plant and equipment of an amount of approximately HK\$1.1 million (31 December 2013: approximately HK\$1.2 million).

## **CONTINGENT LIABILITIES**

As at 30 June 2014, except for the litigations as set out in the Management Discussion and Analysis section of this announcement, the Group did not have any significant contingent liabilities.

## **CAPITAL COMMITMENTS**

The Group had approximately HK\$2.6 million capital commitment as at 30 June 2014 (31 December 2013: approximately HK\$1.1 million).

## **SIGNIFICANT INVESTMENTS**

For the six months ended 30 June 2014, capital expenditure of the Group for property, plant and equipment amounted to approximately HK\$32 million (year ended 31 December 2013: approximately HK\$94.3 million).

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the period ended 30 June 2014 (30 June 2013: Nil).

## **MATERIAL ACQUISITION AND DISPOSAL**

There was no material acquisition and disposal during the period ended 30 June 2014.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2014, the Group employed 25 employees (31 December 2013: 25). The Group implemented its remuneration policy, bonus and share option scheme based on achievements and performance of the employees. The Group also participates in the Mandatory Provident Fund Scheme in Hong Kong and stated-owned 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.

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

## **MINES INFORMATION**

### **Renison Tin Project**

Renison Mine located in Tasmania has been one of the major hard rock tin mines in the world and is the largest tin producer in Australia. Tin mining has been carried out at or near Renison since alluvial tin was discovered in 1890. Over the operational history, the mine was owned by several operators. In May 2003, the operation was suspended and BMT purchased the mine in 2004 and commenced redevelopment of the mine. After the acquisition of BMT by Metals X Limited (“Metals X”), the mine restarted in 2008. In March 2011, the Company acquired the entire interest of Parksong. Parksong indirectly holds 82% interest of YTPAH and Yunnan Tin PRC indirectly holds 18% interest of YTPAH. 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”) was formed. The Company has participated in the management of the JV through the interest held in YTPAH. YTPAH is an indirectly owned subsidiary of the Company. BMT is a wholly-owned subsidiary of Metals X which is a company listed on the 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”), (2) the Mount Bischoff open-cut tin project (“Mount Bischoff”) and (3) the Renison tailings retreatment project (“Rentails”).



### *Estimated Tin and Copper Reserves and Resources*

For the six months ended 30 June 2014, 109 core holes with NQ2 for 9,130 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.

As of 30 June 2014, the Joint Ore Reserves Committee (the "JORC") compliant resources and reserves of Renison Underground are categorized as follows:

Upgraded Resource and Reserve Estimates for Renison Underground as at 30 June 2014

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

During the period under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison Underground. 941 meter of capital waste, 334 meter of capital decline and 2,111 meter of sill development were advanced during the period. 4,668 tonnes of tin metal was produced from Renison Underground and 0 tonne from Mount Bischoff, and processed ores averaging 1.41% Sn. No development or recovery production activities were carried out for Rentals.

For the period ended 30 June 2014, a total of approximately HK\$42.7 million capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the period ended 30 June 2014

Included	HK\$'000
Mining costs	122,825
Processing costs	38,736
Transportation	1,332
Royalties/fee payable to government	3,072
Financing costs	28

Capital Expenditure for the period ended 30 June 2014

Addition	HK\$'000
Property, Plant and Equipment	31,600
Mining Rights	0
Exploration and Evaluation Assets	4,697
Total	36,297

Mr. Ross Cook resigned as the general manager of BMTJV on 3 January 2014, and Mr. Allan King was appointed as a new general manager on 24 February 2014.

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

Total Resource and Reserve Estimates as at 30 June 2014

CATEGORY	TIN			COPPER		
	Tonnage (kt)	Grade (%Sn)	Sn Metal (t)	Tonnage (kt)	Grade (%Cu)	Cu Metal (t)
<b>Resources</b>						
Renison Underground	12,337	1.59	195,861	10,292	0.35	36,086
Mount Bischoff	1,667	0.54	8,981	-	-	-
Rentails	21,192	0.45	95,383	21,192	0.22	45,591
<b>Total</b>	<b>35,196</b>	<b>0.85</b>	<b>300,225</b>	<b>31,484</b>	<b>0.26</b>	<b>81,677</b>
<b>Reserves</b>						
Renison Underground	5,911	1.37	80,786	5,763	0.28	16,356
Mount Bischoff	-	-	-	-	-	-
Rentails	20,309	0.45	91,320	20,309	0.22	43,680
<b>Total</b>	<b>26,220</b>	<b>0.66</b>	<b>172,106</b>	<b>26,072</b>	<b>0.23</b>	<b>60,036</b>

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

### **Renison Underground**

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

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 and Area 4 as focal areas of mining, small amounts on production were sourced from other areas to diversify the risk of having only 3 mining areas and to ensure that the isolated ore is mined economically (in conjunction with the “mainstay” ore). Apart from the Central Federal Bassets area being developed, opening up additional mining areas has reduced the site’s risk profile arising from over-reliance on a certain area.

According to the press release from Metals X dated 11 March 2014, an increase of 21.8% tin mineral resource, containing from June 2013 approximately 156,000 tonnes to December 2013 approximately 190,100 tonnes of Total Mineral Resource at Renison Underground was achieved. The Total Mineral Resource at Renison Underground now stands at 12.3 million tonnes grading 1.59% tin making it one of the largest known single mine resources of tin in the world today and reaffirming Renison’s status as a world-class tin mine.

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 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 18 million tonnes of tailings with an average grade of 0.4% tin and 0.21% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison Underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital 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, has in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails Project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the period ended 30 June 2014, the Company was of the view that Rentails should continue to carry zero value as the Group does not have any development plan and certainly would not have sufficient funding for this project in the foreseeable future.

## **OTHER INFORMATION**

### **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the period ended 30 June 2014.

### **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 2014.

### **REVIEW OF INTERIM RESULTS**

The audit committee of the Company (the "Audit Committee") has reviewed the Group's interim results for the six months ended 30 June 2014. The Audit Committee comprises all of the three independent non-executive directors, namely Mr. Chi Chi Hung, Kenneth (Chairman), Mr. Gao Dezhu and Mr. Kang Yi.

### **CORPORATE GOVERNANCE**

#### **Compliance with Corporate Governance Code**

The Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2014.

#### **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 2014.

## **PUBLICATION OF INTERIM REPORT**

This interim results announcement is published on the websites 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 2014 will be dispatched to shareholders of the Company and will be available at the websites 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**

**Chen Zhenliang**

Chairman

Hong Kong, 29 August 2014

*As at the date of this announcement, the Board comprises Mr. CHEN Zhenliang (Chairman), Mr. CHEUNG Wai Kuen, Mr. NIE Dong and Mr. WANG Chuanhu as executive directors; Prof. QIU Guanzhou and Dr. SHI Hao, Simon as non-executive directors and Mr. GAO Dezhu, Mr. KANG Yi and Mr. CHI Chi Hung, Kenneth as independent non-executive directors.*

*Website: <http://www.lsea-resources.com>*