利海資源
L'SEA RESOURCES

L'SEA RESOURCES INTERNATIONAL HOLDINGS LIMITED
利 海 資 源 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00195)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016 together with comparative figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended	
		30.6.2016	30.6.2015
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**154,949**	172,279
Cost of sales		**(161,378)**	(175,135)
Gross loss		**(6,429)**	(2,856)
Interest income		**433**	420
Other income		**—**	1,044
Other gains and losses	*5*	**95,033**	(136,358)
Administrative expenses		**(22,692)**	(20,098)
Finance costs	*6*	**(1,980)**	(14,384)

	Notes	Six months ended 30.6.2016 HK$'000 (unaudited)	30.6.2015 HK$'000 (unaudited)
Profit (loss) before taxation		**64,365**	(172,232)
Taxation (charge) credit	*7*	**(22,861)**	46,934
Profit (loss) for the period	*8*	**41,504**	(125,298)
Other comprehensive income (expense) for the period:			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to presentation currency		**2,653**	(20,222)
Total comprehensive income (expense) for the period		**44,157**	(145,520)
Profit (loss) for the period attributable to:			
Owners of the Company		**30,024**	(101,994)
Non-controlling interests		**11,480**	(23,304)
		41,504	(125,298)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**28,424**	(122,739)
Non-controlling interests		**15,733**	(22,781)
		44,157	(145,520)
Earnings (loss) per share	*10*		
Basic and diluted (HK cents)		**0.59**	(1.99)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**232,934**	130,368
Mining rights	*11*	**82,397**	63,948
Exploration and evaluation assets	*11*	**107,174**	88,194
Deposits		**11,901**	11,661
Deferred tax assets		**—**	18,012
		434,406	312,183
Current assets			
Inventories		**13,802**	12,760
Trade receivables	*13*	**24,468**	20,537
Other receivables, prepayments and deposits		**4,774**	6,886
Held-for-trading investments	*14*	**4,089**	4,512
Bank balances and cash		**123,556**	163,965
		170,689	208,660
Current liabilities			
Trade payables	*15*	**22,119**	40,000
Other payables and accruals		**90,664**	84,522
Other borrowings	*16*	**176,400**	—
Obligations under finance lease		**11,899**	373
Convertible bonds		**—**	175,721
		301,082	300,616
Net current liabilities		**(130,393)**	(91,956)
Total assets less current liabilities		**304,013**	220,227

	Notes	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
Capital and reserves			
Share capital	17	**25,650**	25,650
Reserves		**244,506**	216,082
Equity attributable to owners of the Company		**270,156**	241,732
Non-controlling interests		**(18,918)**	(34,651)
Total equity		**251,238**	207,081
Non-current liabilities			
Obligations under finance lease		**34,768**	903
Provision for rehabilitation		**12,796**	12,243
Deferred tax liabilities		**5,211**	—
		52,775	13,146
		304,013	220,227

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2016 have been prepared in accordance with the applicable disclosure requirements in 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.

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that as at 30 June 2016, the Group's current liabilities exceeded its current assets by approximately HK$130,393,000. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

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

a. On 29 April 2015, the Company and 北京賽伯樂綠科投資管理有限公司 (Beijing Cybernaut Green-Tech Investment Management Limited*) (the "Initial Proposed Subscriber"), a third party independent of, and not connected with, the Company and its connected persons (as defined in the Listing Rules), have entered into a non-binding memorandum of understanding setting out the preliminary understanding in relation to the proposed subscription by the Initial Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Initial Proposed Subscriber as designated by it) for not less than 6,000,000,000 new ordinary shares at a tentative price of HK$0.25 per Share or convertible bonds of equivalent value to be issued by the Company (the "Proposed Subscription").

* *English name for identification purpose only*

As set out in the Company's announcement dated 26 February 2016, the Company and the Initial Proposed Subscriber entered into negotiations on a possible change of structure of the Proposed Subscription. It was announced by the Company on 18 March 2016 that the new structure of the Proposed Subscription involved the subscription of 5,250,000,000 new Shares of the Company, by Power Investment Holding Limited (the "Designated Proposed Subscriber" or "Lender") or its wholly owned subsidiary, at the subscription price of HK$0.08 per Share with a total subscription price of HK$420,000,000. The Designated Proposed Subscriber is a limited company incorporated in Hong Kong and is a member of the group of companies under the Initial Proposed Subscriber. The Initial Proposed Subscriber has designated the Designated Proposed Subscriber as the vehicle for entering into a legally binding subscription agreement with the Company if the Proposed Subscription materialises.

In view of the fact that the Group did not have sufficient capital to repay the convertible bonds on 4 March 2016 (the "Maturity Date") of the convertible bonds, on 16 March 2016, the Company, as the borrower, the Lender, and Mr. Xie Haiyu ("Mr. Xie") (who is a substantial shareholder of the Company holding approximately 19.39% of the entire issued share capital of the Company as at the same date), as the guarantor, entered into a loan agreement (the "Loan Agreement") pursuant to which the Lender has agreed and granted a loan in the principal sum of HK$176,400,000 (the "Loan") to the Company for the sole purpose of settling the principal amount payable upon the redemption of the convertible bonds.

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

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

Details of the Proposed Subscription are disclosed in the Company's announcement dated 29 April 2015 and the monthly progress of the Proposed Subscription are disclosed in the Company's announcements dated 1 June 2015, 26 June 2015, 24 July 2015, 24 August 2015, 24 September 2015, 23 October 2015, 24 November 2015, 24 December 2015, 26 January 2016, 26 February 2016, 18 April 2016, 18 May 2016, 17 June 2016, 18 July 2016 and 8 August 2016 respectively. Details of the latest updates on the Loan Agreement, the redemption of Convertible Bonds and the Proposed Subscription are disclosed in the Company's announcement dated 18 March 2016.

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

The Directors believe that the Company will be able to implement the necessary measures as mentioned above and accordingly, the Group will have sufficient working capital to finance its operations and to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the Directors prepared the condensed consolidated financial statements on a going concern basis.

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 2016 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

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 2016.

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

3. REVENUE

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

4. SEGMENT INFORMATION

The executive Directors have been identified as chief operating decision makers. The executive Directors consider exploration, development and mining of tin and copper bearing ores in Australia ("mining operation") is the principal activity of the Group and represents one single segment. Accordingly, the executive Directors review the condensed consolidated financial statements for resources allocation and assessment purpose.

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

Revenue from major products

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

	Six months ended	
	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of tin concentrate	**152,363**	172,279
Sales of copper concentrate	**2,586**	—
	154,949	172,279

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**78**	—
Reversal of impairment loss (impairment loss recognised) on property, plant and equipment	**48,001**	(65,764)
Reversal of impairment loss (impairment loss recognised) on mining rights	**17,180**	(28,700)
Reversal of impairment loss (impairment loss recognised) on exploration and evaluation assets	**22,346**	(50,974)
Fair value change of held-for-trading investments	**(423)**	2,284
Net foreign exchange gain	**7,851**	6,796
	95,033	(136,358)

6. FINANCE COSTS

	Six months ended	
	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Obligations under finance leases wholly repayable within five years	**760**	28
Effective interest expense on convertible bonds	**679**	14,356
Interest paid for deferred redemption of convertible bonds	**541**	—
	1,980	14,384

7. TAXATION CREDIT (CHARGE)

	Six months ended	
	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Deferred tax (charge) credit	**(22,861)**	46,934

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

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging:		
Cost of inventories recognised as an expense	**161,378**	175,135
Depreciation of property, plant and equipment	**25,685**	20,717
Amortisation of mining rights	**6,099**	5,376
Operating lease rentals in respect of rented premises	**1,098**	1,071
Staff costs (including directors' emoluments)	**10,196**	8,768

9. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share for each of the six months ended 30 June 2016 and 2015 is based on the consolidated profit (loss) attributable to the owners of the Company for the respective periods:

	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings (loss) for the purposes of basic and diluted earnings (loss) per share:		
Profit (loss) for the period attributable to owners of the Company	**30,024**	(101,994)
	'000	*'000*
Weighted average number of ordinary shares for the purposes of calculating basic earnings (loss) per share	**5,130,000**	5,130,000

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

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

Property, plant and equipment

During the six months ended 30 June 2016, the Group had additions to the property, plant and equipment amounted to approximately HK$63,828,000 (six months ended 30 June 2015: HK$30,762,000).

Mining rights and Exploration and evaluation assets

During the six months ended 30 June 2016, the Group had additions to exploration and evaluation assets amounted to approximately HK$14,460,000 (six months ended 30 June 2015: HK$961,000).

During the six months ended 30 June 2016, exploration and evaluation assets of approximately HK$5,477,000 (six months ended 30 June 2015: HK$14,086,000) were transferred to mining rights.

As at 30 June 2016, the net carrying value of property, plant and equipment included an amount of approximately HK$53,122,000 (31 December 2015: HK$1,308,000) in respect of assets held under finance leases. Such property, plant and equipment has been pledged to secure the finance leases being granted.

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 mining structures, buildings, construction in progress and machineries for the mine operation), mining rights and exploration and evaluation assets have been considered as one cash generating unit ("CGU of the Mining Operation") as these assets are related to the Renison underground mine.

The recoverable amount of the CGU of the Mining Operation of approximately AUD72,715,000 (equivalent to approximately HK$419,792,000) as at 30 June 2016 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 15.4% 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 6.54 million tonnes and it is assumed that the mineral reserve is mined over 10 years at a rate of up to 0.654 million tonnes per annum. Such assumptions are based on the estimation provided by the management of the Group. The discount rate was estimated by using the capital asset pricing model with a risk free rate at 2.0%. Other key assumptions for the calculation related to the estimation of cash inflows/outflows include AUD/USD forward exchange rate ranging from 1:0.684 to 1:0.740, forward price of tin of USD17,000 per tonne and production rate of 1.44% per tonne.

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, mining rights and exploration and evaluation assets allocated to the CGU of the Mining Operation of approximately HK$48,001,000, HK$17,180,000 and HK$22,346,000 are recognised in profit or loss for the six months ended 30 June 2016, respectively.

As at 30 June 2015, the recoverable amount of the CGU of the Mining Operation was lower than its carrying value. Accordingly, impairment losses on mining related property, plant and equipment, mining rights and exploration and evaluation assets allocated to the CGU of the Mining Operation of approximately HK$65,764,000, HK$28,700,000 and HK$50,974,000 were recognised in profit or loss for the six months ended 30 June 2015, respectively.

13. TRADE RECEIVABLES

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**24,468**	20,537

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

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

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**24,468**	20,537

14. HELD-FOR-TRADING INVESTMENTS

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Equity securities listed in Hong Kong	**4,089**	4,512

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

During the six months ended 30 June 2016, a loss of HK$423,000 (2015: a gain of HK$2,284,000) 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:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–30 days	**22,119**	37,017
31–60 days	**—**	2,983
Total	**22,119**	40,000

16. OTHER BORROWINGS

The loan in the principal sum of HK$176,400,000 was granted by the Designated Proposed Subscriber for the sole purpose of settling the principal amount upon the redemption of the convertible bonds.

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

17. SHARE CAPITAL

	Number of shares *'000*	**Share capital** *HK$'000*
Ordinary shares of HK$0.005 each		
Authorised:		
At 1 January 2016 and 30 June 2016 (unaudited)	20,000,000	100,000
Issued:		
At 1 January 2016 and 30 June 2016 (unaudited)	5,130,000	25,650

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

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:

	30.6.2016 ***HK$'000*** **(unaudited)**	31.12.2015 *HK$'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	**16,247**	603

As at 30 June 2016 and 31 December 2015, 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 2016 and 2015, the Group had entered into the following significant transactions with a related party:

	30.6.2016	30.6.2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales of copper concentrate to YTATR (note a & b)	**2,586**	—
Sales of tin concentrate to YTATR (note a & b)	**152,363**	172,279

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 tin concentrate to YTATR, a company incorporated in Australia, which is a subsidiary of a non-controlling shareholder of a subsidiary of the Company. These transactions are classified as continuing connected transactions (as defined in the Listing Rules).

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.

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)
	30.6.2016	31.12.2015		
	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	**4,089**	4,512	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 23 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2016, the tin price benefited from the downtrend of USD, the expectation of a slowdown over the increasing in the interest rate in the United States of America and the joint action of cutting production by major tin enterprises in the PRC. During the review period, tin price fell to its lowest at USD13,215 per tonne in January, and reached at its highest at USD17,425 per tonne in May.

The total tin metal production at the Rension underground mine from January to June 2016 was 2,829 tonnes (January to June 2015: 3,282 tonnes), representing a decrease of approximately 13.8% when comparing with the same period in last year. The decrease was mainly due to the unexpected lower head grade of the tin ore mined. The management team of the Renison underground mine will focus on the high head grade area for mining activities in order to increase the tin metal production.

The unaudited consolidated revenue of the Group for the six months ended 30 June 2016 amounted to approximately HK$154,949,000 (30 June 2015: approximately HK$172,279,000), a decrease of approximately 10.1% when comparing with the same period in last year. The Group had a gross loss of approximately HK$6,429,000 (30 June 2015: approximately HK$2,856,000) with gross loss margin at approximately 4.1% (30 June 2015: a gross loss margin at approximately 1.7%). The gross loss was caused by the decrease in tin metal production volume as a result of low head grade ore mined and the increase in the depreciation cost for the newly purchased assets used for production. The Group's profit for the period amounted to approximately HK$41,504,000 (30 June 2015: loss for the period was approximately HK$125,298,000). The profit for the period was mainly due to the reversal of impairment loss on the asset value of the Renison underground mine based on its valuation as at 30 June 2016. The reversal of impairment loss was mainly due to the increase of tin price in the international market during the period, which led to the recoverable amount of the asset value of the mine exceeding its carrying amount as at 30 June 2016.

After the mining contract of the contractor ("Barminco") expired on 31 March 2016, the Australian Joint Venture, Bluestone Mines Tasmania Joint Venture Pty Limited ("BMTJV"), started to establish its own operation team. In order to ensure a smooth handover of the mining operation, BMTJV extended the mining contract to 30 April 2016, and hired some experts and staff of Barminco, and also purchased or leased some new equipment. During the transitional period from April to July 2016, apart from the above-mentioned rearrangement of manpower and purchase or leasing of new equipment, the decreases in tin metal production volume and the revenue were mainly due to the grade of the mined ore being lower than expected.

Looking forward the second half of 2016, the worry over slowdown of the world economy caused by Brexit will pose uncertainty in the commodity market and foreign exchange market. BMTJV's operational team will focus on mining the high head grade ore and improving other production processes, so as to lower the production and operating costs and thus benefit the operating status of the Group.

MANAGEMENT AGREEMENT

Prior to the completion of the acquisition of Parksong Mining and Resource Recycling Limited ("Parksong") by the Group, an agreement dated 1 December 2010 was signed by Mr. Chan Kon Fung purportedly on behalf of YTPAH with YTATR, a subsidiary of Yunnan Tin PRC in relation to the engagement of YTATR for the provision of certain production and operation management services for the Renison Tin Project. The Group has been disputing the validity of such agreement and does not admit that such agreement is binding on YTPAH. YTATR has requested YTPAH to pay a fee for management services rendered by it up to 31 December 2015.

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

As YTPAH is indirectly owned as to 82% by Parksong and as to 18% by Yunnan Tin PRC, Yunnan Tin PRC is a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company. The proposed settlement and new management arrangements, if materialised, will constitute a 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 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$90,284,000), being the alleged amount of receivables payable to Mr. Chan ("Mr. Chan's Claim").

GPL and the Company denied Mr. Chan's Claim and have made counterclaim against Mr. Chan. GPL and the Company filed their Defence and Counterclaim on 11 October 2011 which was amended on 23 May 2012 ("AD&C"). Under the AD&C, GPL and the Company sought to claim against Mr. Chan by way of counterclaim and set-off and stated that GPL has suffered loss and damage by reason of the following: (1) Mr. Chan has failed to make a payment to GPL in settlement of payables due to GPL under the Parksong S&P Agreement ("Payables"); (2) Mr. Chan has prepared 3 sets of documents which showed a conflicting picture as to who was the owner of an advanced sum of AUD16.3 million ("AUD16.3 Million Issue") to a Hong Kong company ("HK Company"), a majority-owned subsidiary of Parksong, before the completion of the acquisition; (3) in breach of the Parksong S&P Agreement, Mr. Chan unilaterally caused an Australian subsidiary of HK Company, YT Parksong Australia Holding Pty Limited, to enter into a tin concentrate package purchase underwriting agreement and a management agreement with Yunnan Tin Australia TDK Resources Pty Ltd. for a period of life of the mine on 1 December 2010, without the consent of GPL; and (4) production shortfall of contained tin in concentrate from the mine in Australia for the first anniversary after the Completion Date, in breach of the respective terms and/or guarantees and/or warranties in the Parksong S&P Agreement. Under the AD&C, GPL claimed against Mr. Chan for the respective sums of AUD1,048,847.18, AUD16,300,000, AUD8,505,000, USD2,059,897 (approximately of HK$178,062,000 in total) and damages etc.

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

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

For the AUD16.3 Million Issue, from June to December 2013, GPL and the Company had made and dealt with applications to obtain further evidence from Mr. Chan including discovery of further document and interrogatories for further information. In July 2014, GPL and the Company made application to amend AD&C including the AUD16.3 Million Issue. An application for joinder of parties was also made in July 2014 ("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 Group (Holding) Company Limited ("Yunnan Tin PRC"), a shareholder of HK Company, on the AUD16.3 Million Issue. Yunnan Tin PRC in July 2015 replied that Yunnan Tin PRC had contributed a loan of AUD16.3 million to HK Company. On 3 June 2015, Mr. Chan also made application to amend AR&DC on the AUD16.3 Million Issue ("Plaintiff's 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$28,609,000 in total). Under the said Expert Evidence Application, GPL and the Company also submitted applications for expert evidence on the amount of compensation on production shortfall.

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

After an initial hearing on 19 December 2014 in respect of 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 to 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 which shall be fixed after the Court has made a decision on the Plaintiff's Amendment Application and the Defendants' Amendment Application. 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. All other applications including the said Joinder Application and the said Expert Evidence Application were further adjourned for hearing with a date to be fixed.

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 2016 amounted to approximately HK$154,949,000 (30 June 2015: approximately HK$172,279,000), a decrease of 10.1% when compared to the same period of last year. The Group's revenue decreased due to the decrease in production volume 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$161,378,000 for the six months ended 30 June 2016 (30 June 2015: approximately HK$175,135,000), representing approximately 104.1% of the revenue recorded in the corresponding period (last period: approximately 101.7%).

Gross loss

The Group had a gross loss of approximately HK$6,429,000 (30 June 2015: approximately HK$2,856,000) with a gross loss margin at 4.1% for the six months ended 30 June 2016 (30 June 2015: 1.7%).

Other gains and losses

The Group recorded other gains of approximately HK$95,033,000 for the six months ended 30 June 2016 (30 June 2015: other losses of approximately HK$136,358,000). The gains were mainly due to the respective reversal of impairment losses of approximately HK$48,001,000, HK$17,180,000 and HK$22,346,000 on mining related property, plant and equipment, mining rights and exploration and evaluation assets allocated to the cash generating unit ("CGU") of the Renison underground mine during the said period.

Administrative expenses

Administrative expenses, which represented approximately 14.6% of the Group's revenue, increased by approximately 12.9% from approximately HK$20,098,000 for the six months ended 30 June 2015 to approximately HK$22,692,000 for the six months ended 30 June 2016, mainly due to the increase in administrative staff costs.

Finance costs

Finance costs representing approximately 1.3% of the Group's revenue in this period, decreased from approximately HK$14,384,000 for the six months ended 30 June 2015 to approximately HK$1,980,000 for the six months ended 30 June 2016, mainly due to the decrease in the effective interest expenses on the convertible bonds as the convertible bonds had been redeemed during the period

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations through internally generated cash flows and borrowings. As at 30 June 2016, the Group did not have any bank facilities but had obligation under finance lease of HK$46,667,000 (31 December 2015: HK$1,276,000). The gearing ratio of the Group, calculated as a ratio of total liabilities to total assets, was 58.5% as at 30 June 2016 (31 December 2015: 60.2%).

As at 30 June 2016, the Group had net current liabilities of approximately HK$130,393,000 (31 December 2015: approximately HK$91,956,000). Current ratio as at 30 June 2016 was 0.6 (31 December 2015: 0.7). The bank and cash balance of the Group as at 30 June 2016 was HK$123,556,000 (31 December 2015: approximately HK$163,965,000).

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 borrowings, 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.

PROPOSED SUBSCRIPTION

On 29 April 2015, the Company and the Initial Proposed Subscriber entered into a non-binding memorandum of understanding (the "Memorandum of Understanding") setting out the preliminary understandings of the parties in relation to the proposed subscription of not less than 6,000,000,000 new Shares at a tentative price of HK$0.25 per share or convertible bonds of equivalent value by the Initial Proposed Subscriber (or such other investment company which is owned by and/or affiliated with the Initial Proposed Subscriber as designated by it).

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

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

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

CONVERTIBLE BONDS

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

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

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

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

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

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

CHARGES OF ASSETS

As at 30 June 2016, our obligation under finance lease of HK$46,667,000 (31 December 2015: HK$1,276,000) was secured by property, plant and equipment of an amount of approximately HK$53,122,000 (31 December 2015: approximately HK$1,308,000).

CONTINGENT LIABILITIES

As at 30 June 2016, 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$16,247,000 capital commitment as at 30 June 2016 (31 December 2015: HK$603,000).

SIGNIFICANT INVESTMENTS

For the six months ended 30 June 2016, capital expenditure of the Group for property, plant and equipment amounted to approximately HK$63,828,000 (30 June 2015: approximately HK$30,762,000). As at 30 June 2016, the Group's equity securities listed in Hong Kong amounted to approximately HK$4,089,000 (31 December 2015: approximately HK$4,512,000).

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the period ended 30 June 2016 (30 June 2015: Nil).

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition and disposal during the period ended 30 June 2016.

SHARE OPTION SCHEME

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

There is no share option granted or outstanding during the six months ended 30 June 2016.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed 28 employees (31 December 2015: 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 state-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 their knowledge of industry quality standards.

MINES INFORMATION

Renison Tin Project

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

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

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

Drilling Data

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

Each development face/round is horizontally chip sampled at Renison underground mine. The sampling intervals are limited by geological constraints (e.g. rock type, veining and alteration/sulphidation etc.). Samples are taken in a range from 0.3m to a maximum of 1.2m in waste/mullock.

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

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

Sampling/Assaying

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

Samples are dried at 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

Renison underground mine is one of the world's largest operating underground tin mines and Australia's largest primary tin producer. Renison underground mine is the largest of three major skarn, carbonate replacement, pyrrhotite-cassiterite deposits within western Tasmania. The Renison underground mine area is situated in the Dundas Trough, a province underlain by a thick sequence of Neoproterozoic-Cambrian siliciclastic and volcaniclastic rocks. At Renison underground mine, there are three shallow-dipping dolomite horizons which host replacement mineralization. The Federal Orebody Mining has occurred since 1800's providing a significant confidence in the 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.

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 dry tonnes.

Cut-Off Grade

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

Metallurgical and Mining Assumptions

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

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

Classification

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

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

Estimated Tin and Copper Reserves and Resources

For the six months ended 30 June 2016, 141 core holes with NQ2 for 10,490 meters of core holes in total have been drilled for exploration purpose and the drilling program had effectively increased the amount of indicated resources and probable reserves.

As of 30 June 2016, the JORC compliant resources and reserves of Renison underground mine are categorized as follows:

Updated Resource and Reserve Estimates for Renison underground mine as at 30 June 2016

	TIN			COPPER		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Measured	1,437	2.06	29,605	1,360	0.44	6,004
Indicated	6,738	1.31	88,263	6,303	0.32	20,247
Inferred	3,356	1.42	47,748	3,057	0.22	6,760
Total	11,531	1.44	165,616	10,720	0.31	33,011
Reserves						
Proven	1,105	1.29	14,251	1,077	0.43	4,599
Probable	4,586	1.28	58,735	4,319	0.25	10,644
Total	5,691	1.28	72,986	5,396	0.28	15,243

During the period under review, an extensive exploration and resources development drilling campaign targeting underground targets was conducted over Renison underground mine. 691 meters of capital waste, 452 meters of capital decline and 2,839 meter of sill development were advanced during the period. 2,829 tonnes of tin metal was produced from Renison underground mine and 0 tonne from Mount Bischoff, and processed ores averaged 1.29% Sn. No development or recovery production activities were carried out for Rentails.

For the six months ended 30 June 2016, a total of approximately HK$78,288,000 capital expenditure was incurred for exploration, development or production activities. The details of the expenditure are shown below:

Operating Expenses for the six months ended 30 June 2016

Included	*HK$'000*
Mining costs	189,024
Processing costs	67,698
Transportation	1,037
Royalties/fee payable to government	2,920
Financing costs	219

Capital Expenditure for the six months ended 30 June 2016

Addition	*HK$'000*
Property, Plant and Equipment	63,828
Exploration and Evaluation Assets	14,460
Total	78,288

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

Total Resource and Reserve Estimates as at 30 June 2016

	TIN			**COPPER**		
CATEGORY	**Tonnage** *(kt)*	**Grade** *(%Sn)*	**Sn Metal** *(t)*	**Tonnage** *(kt)*	**Grade** *(%Cu)*	**Cu Metal** *(t)*
Resources						
Renison underground mine	11,531	1.44	165,616	10,720	0.31	33,011
Mount Bischoff	1,667	0.54	8,981	—	—	—
Rentails	22,503	0.45	100,443	22,503	0.22	50,619
Total	35,701	0.77	275,040	33,223	0.25	83,630
Reserves						
Renison underground mine	5,691	1.28	72,986	5,396	0.28	15,243
Mount Bischoff	—	—	—	—	—	—
Rentails	21,628	0.45	96,516	21,628	0.23	48,687
Total	27,319	0.62	169,502	27,024	0.24	63,930

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

Renison Underground Mine

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

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

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

Mount Bischoff

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

Rentails

The Rentails is based on the retreatment of process tailings which have accumulated since the commencement of mining at Renison underground mine. It involves the retreatment of approximately 21 million tonnes of tailings with an average grade of 0.45% tin and 0.22% copper at Renison in a dedicated tailings concentrator, with concentrate processed in a tin fumer. The tin tailings are stored in tailings dams at Renison underground mine. The contained tin within these dams is approximately 84,000 tonnes, one of the largest tin resources in Australia. Additional construction capital has been estimated to be approximately AUD213 million +/–15% for the recovery of Rentails. In view of the significant capital requirement before the value of Rentails can be unlocked, the Company had not assigned any value to this Rentails in our accounting books at the date of completion of the acquisition of Parksong. However, the management of BMTJV inspected the Yunnan Tin PRC production plants in the PRC in late April of 2013, and had in-depth discussions on the technology and equipment of tailing treatment. To propel the Rentails project, BMTJV has appointed Yunnan Tin PRC to appraise the project and provide recommendation for their consideration. For the six months ended 30 June 2016, 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, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Board, the Board confirms that the Company has maintained a sufficient public float as required under the Listing Rules during the period ended 30 June 2016.

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 2016. 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 the Listing Rules during the six months ended 30 June 2016.

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 Company's Chief Executive Officer, 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. Nie Dong, Mr. Cheung Wai Kuen, Mr. Chi Chi Hung, Kenneth and Mr. James Munn could not attend the annual general meeting of the Company held on 27 May 2016.

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 2016.

PUBLICATION OF INTERIM RESULTS

This interim results announcement is published on the website of 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 2016 will be dispatched to shareholders and will be available on the website of 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, 23 August 2016

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.

Website: http://www.lsea-resources.com