



悦達控股有限公司  
Yue Da Holdings Limited

Stock Code: 629

Interim Report 2006





# Deloitte.

## 德勤

### **TO THE BOARD OF DIRECTORS OF YUE DA HOLDINGS LIMITED**

*(incorporated in the Cayman Islands with limited liability)*

We have audited the condensed consolidated financial statements of Yue Da Holdings Limited (the "Company") and its subsidiaries (the "Group") on pages 3 to 30 which have been prepared in accordance with accounting principles generally accepted in Hong Kong applicable for interim financial reports.

#### **Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of the condensed consolidated financial statements. In preparing the condensed consolidated financial statements it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### **Basis of opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the condensed consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the condensed consolidated financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.



## Auditors' Report

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the condensed consolidated financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the condensed consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

### Opinion

In our opinion, the condensed consolidated financial statements have been properly prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
7th September, 2006

# Condensed Consolidated Income Statement

For the six months ended 30th June, 2006

	Notes	Six months ended	
		30.6.2006 RMB'000 (audited)	30.6.2005 RMB'000 (unaudited)
Turnover		<b>54,944</b>	47,879
Operating costs		<b>(26,591)</b>	(23,735)
		<b>28,353</b>	24,144
Other operating income		<b>101</b>	226
Administrative expenses		<b>(7,359)</b>	(6,249)
Interest expense	4	<b>(2,606)</b>	(2,124)
Profit before tax	5	<b>18,489</b>	15,997
Income tax expense	6	<b>(3,714)</b>	(2,845)
Profit for the period		<b>14,775</b>	13,152
Attributable to			
— Equity holders of the parent		<b>9,416</b>	10,262
— Minority interests		<b>5,359</b>	2,890
		<b>14,775</b>	13,152
Dividend	7	—	4,200
Earnings per share	8		
— Basic		<b>4.7 cents</b>	5.1 cents
— Diluted		<b>4.6 cents</b>	5.1 cents

# Condensed Consolidated Balance Sheet

At 30th June, 2006

	Notes	30.6.2006 RMB'000 (audited)	31.12.2005 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>373,740</b>	339,401
Mining rights	9	<b>607,607</b>	—
Exploration and evaluation assets	10	<b>4,800</b>	—
Goodwill		<b>7,298</b>	482
Prepaid lease payments		<b>178</b>	—
		<b>993,623</b>	339,883
<b>CURRENT ASSETS</b>			
Inventories		<b>6,667</b>	—
Prepaid lease payments		<b>24</b>	—
Prepayments, deposits and other receivables		<b>1,291</b>	2,444
Bank balances and cash		<b>29,773</b>	151,311
		<b>37,755</b>	153,755
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>18,962</b>	9,409
Amounts due to minority shareholders	11	<b>6,327</b>	737
Amount due to a related company		<b>2,193</b>	2,040
Taxation payable		<b>3,845</b>	2,921
Convertible bonds — embedded derivatives	12	<b>17,493</b>	—
Promissory notes	13	<b>12,387</b>	—
Unsecured short-term borrowings	14	<b>3,179</b>	6,729
		<b>64,386</b>	21,836

## Condensed Consolidated Balance Sheet

At 30th June, 2006

		<b>30.6.2006</b>	31.12.2005
		<b>RMB'000</b>	RMB'000
	Notes	<b>(audited)</b>	(audited)
<b>NET CURRENT (LIABILITIES) ASSETS</b>		<b>(26,631)</b>	131,919
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>966,992</b>	471,802
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>21,129</b>	21,000
Reserves		<b>314,270</b>	304,466
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>			
OF THE PARENT		<b>335,399</b>	325,466
MINORITY INTERESTS		<b>377,316</b>	101,214
<b>TOTAL EQUITY</b>		<b>712,715</b>	426,680
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		<b>100,613</b>	9,986
Convertible bonds — liabilities portion	12	<b>63,922</b>	—
Promissory notes	13	<b>59,232</b>	—
Unsecured long-term borrowings	14	<b>30,510</b>	35,136
		<b>254,277</b>	45,122
		<b>966,992</b>	471,802

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2006

	Attributable to equity holders of the parent									
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000	Special reserve RMB'000	Capital contribution RMB'000	Share options reserve RMB'000	Accumulated profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1st January, 2005										
— as originally stated	21,000	15,897	(1,127)	157,178	—	—	108,404	301,352	94,059	395,411
— adjustment on adoption of new accounting standards	—	—	—	—	11,703	—	(5,046)	6,657	5,851	12,508
— as restated	21,000	15,897	(1,127)	157,178	11,703	—	103,358	308,009	99,910	407,919
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	10,262	10,262	2,890	13,152
Dividend paid to minority shareholder	—	—	—	—	—	—	—	—	(3,720)	(3,720)
Dividend	—	—	—	—	—	—	(4,200)	(4,200)	—	(4,200)
At 30th June, 2005	21,000	15,897	(1,127)	157,178	11,703	—	109,420	314,071	99,080	413,151
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	9,202	9,202	3,328	12,530
Recognition of equity — settled share-based payments	—	—	—	—	—	2,193	—	2,193	—	2,193
Dividend paid to minority shareholder	—	—	—	—	—	—	—	—	(1,194)	(1,194)
At 31st December, 2005 and 1st January, 2006	21,000	15,897	(1,127)	157,178	11,703	2,193	118,622	325,466	101,214	426,680
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	9,416	9,416	5,359	14,775
Shares issued upon exercise of share options	129	388	—	—	—	—	—	517	—	517
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	275,784	275,784
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(5,041)	(5,041)
At 30th June, 2006	21,129	16,285	(1,127)	157,178	11,703	2,193	128,038	335,399	377,316	712,715

The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

# Condensed Consolidated Cash Flow Statement

for the six months ended 30th June, 2006

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
<u>Net cash from operating activities</u>	<b>37,018</b>	26,704
Net cash used in investing activities		
Acquisition of subsidiaries	<b>(137,168)</b>	—
Transaction costs on acquisition of subsidiaries	<b>(8,892)</b>	—
Other investing activities	<b>(2,850)</b>	(95)
	<b>(148,910)</b>	(95)
Net cash used in financing activities		
Repayment of bank borrowings	—	(15,000)
Dividend paid	—	(4,200)
Dividend paid to minority shareholders	<b>(5,041)</b>	(3,720)
Other financing activities	<b>(4,605)</b>	313
	<b>(9,646)</b>	(22,607)
Net (decrease) increase in cash and cash equivalents	<b>(121,538)</b>	4,002
<u>Cash and cash equivalents at beginning of the period</u>	<b>151,311</b>	130,784
<u>Cash and cash equivalents at end of the period</u>	<b>29,773</b>	134,786



# Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

## 1. BASIS OF PREPARATION

The condensed 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 and with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Although the Group had net current liabilities of RMB26,631,000 as at 30th June, 2006, the directors are satisfied that the Group, taking into account the present internal financial resources, has sufficient working capital for its present requirements.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the Group) for the year ended 31st December, 2005 except that in the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), Hong Kong Accounting Standards (HKASs) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are effective for accounting periods beginning on or after 1st January, 2006.

HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures
HKAS 21 (Amendment)	The effects of change in foreign exchange rate — net investment in a foreign operation
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 (Amendment)	The fair value option

For the six months ended 30th June, 2006

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts
HKFRS 6	Exploration for and evaluation of mineral resources
HK (IFRIC) — INT 4	Determining whether an arrangement contains a lease
HK (IFRIC) — INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

The adoption of these new and revised HKFRSs has had no material effect on how the results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been made.

The Group has not early adopted the following new standards, amendments and interpretations that have been issued but not yet effective. The directors of the Company anticipate that the application of these new standards, amendments and interpretations will have no material impact on the financial position and the results of the Group:

HKAS 1 (Amendment)	Capital disclosure <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC) — INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC) — INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC) — INT 9	Reassessment of Embedded Derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st June, 2006.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

A summary of the Group's new accounting policies adopted in the current period are as follows:

#### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

#### Exploration and evaluation assets

Exploration and evaluation assets are recognised at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the cost of mining rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable, any previously recognised exploration and evaluation assets are reclassified as property, plant and equipment, mining rights or other intangible assets. These assets are assessed for impairment, and any impairment loss recognised, before reclassification.

#### Mining rights

Mining rights are stated at cost less accumulated amortisation and impairment losses. The mining rights are amortised using the units of production method based on the proven and probable mineral reserves. Amortisation of mining rights commences once the mining rights start to be used.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Impairment of exploration and evaluation assets

For the purpose of impairment testing, exploration and evaluation assets are allocated to the relevant cash-generating units expected to benefit from the assets. Cash-generating units to which exploration and evaluation assets have been allocated are tested for impairment annually, and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of exploration and evaluation assets allocated to the unit.

When an impairment loss subsequently reverses, the carrying amount of the cash-generating units is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods/years.

### Impairment of mining rights

Mining rights are tested for impairment at each balance sheet date by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods/years.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Prepaid lease payments

Prepaid lease payments represent the purchase cost of land use rights in the People's Republic of China (the "PRC") and are charged to the income statement on a straight-line basis over the term of the relevant leases.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and where applicable, cost of conversion and other costs that have been incurred in bringing the materials and supplies to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### Convertible bonds

Convertible bonds are regarded as compound instruments. In the case that the conversion options are not settled by the exchange of a fixed amount for fixed number of equity instrument, the issuer recognises the compound financial instrument in the form of financial liability with embedded derivatives. Derivatives embedded in a financial instrument are treated as separated derivatives when their economic risks and characteristics are not closely related to those of the host contract (the liability component) and the host contract is not carried at fair value through profit or loss. At the date of issue, both the conversion option derivatives and liability component are recognised at fair value.

Issue costs are apportioned between the liability component and the conversion option derivative of the convertible bonds based on their relative fair value at the date of issue. The portion relating to the conversion option derivative is charged directly to the profit or loss.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Convertible bonds (continued)

The liability component is subsequently measured at amortised cost, using the effective interest rate method. The interest charged on the liability component is calculated by applying the original effective interest rate. The difference between this amount and the interest paid is added to the carrying amount of the liability component. The conversion option derivative is subsequently measured at fair value at each balance sheet date.

### Promissory notes

Promissory notes are regarded as liabilities and measured at its fair value on its initial recognition. Such promissory notes are measured at amortised cost determined using the effective interest method at subsequent balance sheet dates.

## 3. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into two operating divisions:

- management and operation of toll highways and bridges (“Toll Road Operations”); and
- refining, exploration, mining and processing of zinc and lead (“Mining Operations”).

The Mining Operations are a new segment during the six months ended 30th June, 2006.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**3. SEGMENT INFORMATION (continued)**

These operating divisions are the basis on which the Group reports its primary segment as below:

**Six months ended 30th June, 2006 (audited)**

	<b>Toll Road Operations RMB'000</b>	<b>Mining Operations RMB'000</b>	<b>Consolidated RMB'000</b>
<b>Revenue</b>			
External sales	<b>52,861</b>	<b>2,083</b>	<b>54,944</b>
Segment result	<b>23,985</b>	<b>976</b>	<b>24,961</b>
Other income			<b>101</b>
Unallocated corporate expenses			<b>(3,967)</b>
Interest expense			<b>(2,606)</b>
Profit before tax			<b>18,489</b>
Income tax expense			<b>(3,714)</b>
Profit for the period			<b>14,775</b>

For the six months ended 30th June, 2006

**3. SEGMENT INFORMATION (continued)****Six months ended 30th June, 2005 (unaudited)**

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
<b>Revenue</b>			
External sales	47,879	—	47,879
Segment result	21,383	—	21,383
Other income			226
Unallocated corporate expenses			(3,488)
Interest expense			(2,124)
Profit before tax			15,997
Income tax expense			(2,845)
Profit for the period			13,152

All the Group's assets are located in the PRC.



## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**4. INTEREST EXPENSE**

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Interest on:		
— bank borrowings wholly repayable within five years	—	283
— a loan from a minority shareholder wholly repayable within five years	<b>1,292</b>	910
— promissory notes	<b>173</b>	—
— convertible bonds	<b>170</b>	—
Imputed interest expense on a non-current loan from a minority shareholder	<b>971</b>	931
	<b>2,606</b>	2,124

**5. PROFIT BEFORE TAX**

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Amortisation of mining rights	<b>486</b>	—
Cost of inventories sold	<b>624</b>	—
Depreciation of property, plant and equipment	<b>15,037</b>	13,450
(Gain) loss on disposal of property, plant and equipment	<b>(56)</b>	3
Release of prepaid lease payments to the income statement	<b>1</b>	—
Interest income	<b>(138)</b>	(220)

For the six months ended 30th June, 2006

**6. INCOME TAX EXPENSE**

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
PRC income tax	<b>3,787</b>	2,973
Deferred taxation	<b>(73)</b>	(128)
	<b>3,714</b>	2,845

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The statutory PRC income tax is 33%. Pursuant to the relevant laws and regulations in the PRC, the Group's PRC subsidiaries, Baoshan Feilong Nonferrous Metal Co., Ltd., Puer Feilong Mining Co., Ltd. and Yaoan Feilong Mining Co., Ltd. are entitled to an exemption from PRC income tax for the two years starting from their first profit-making year, followed by 50% tax relief for the next three years. The reduced tax rate is 15%. These PRC subsidiaries are still within the PRC income tax exemption/relief period during the current period.

Other PRC subsidiaries, Yancheng Tongda Highway Co., Ltd. ("Yancheng Tongda") and Langfang Tongda Highway Co., Ltd. ("Langfang Tongda"), are subject to PRC income tax at the rate of 15% for both periods. In addition, Langfang Tongda is entitled to an exemption from local income tax of 3% during the five years ended 31st December, 2002, followed by a 50% tax relief for the next five years. The reduced local income tax rate for the relief period is 1.5%. Accordingly, Langfang Tongda is subject to a local income tax at the reduced rate of 1.5% commencing 2003. Yancheng Tongda is not subject to local income tax.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**7. DIVIDEND**

The directors do not recommend the payment of any interim dividend for the current period.

During the six months ended 30th June, 2005, a final dividend of HK\$0.02 per share was paid to shareholders for the year ended 31st December, 2004.

**8. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
<b>Earnings</b>		
Profit for the period attributable to equity holders of the parent and earnings for the purpose of basic earnings per share	<b>9,416</b>	10,262
Effect of dilutive potential ordinary shares		
Interest on convertible bonds	<b>170</b>	—
	<b>9,586</b>	10,262
	<b>'000</b>	'000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>200,428</b>	200,000
Effective of dilutive potential ordinary shares		
Share options	<b>8,214</b>	2,171
Convertible bonds	<b>2,127</b>	—
	<b>210,769</b>	202,171

For the six months ended 30th June, 2006

**9. MINING RIGHTS**

	RMB'000
<b>COST</b>	
At 1st January, 2006	—
Acquired upon acquisition of subsidiaries (note 16)	608,093
At 30th June, 2006	608,093
<b>AMORTISATION</b>	
At 1st January, 2006	—
Charge for the period	486
At 30th June, 2006	486
<b>NET BOOK VALUE</b>	
At 30th June, 2006	607,607
At 31st December, 2005	—

The mining rights represent the rights to conduct mining activities in the location of Hetaoping and Yaoan in the PRC, and have legal lives of 8 and 6 years, expiring in February, 2014 and February, 2012, respectively.

The mining rights are amortised using the units of production method based on the proven and probable mineral reserves. In the opinion of the Directors, the Group will be able to renew the mining rights with the government continuously and at minimal charges.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**10. EXPLORATION AND EVALUATION ASSETS**

	RMB'000
<hr/>	
COST	
At 1st January, 2006	—
Acquired upon acquisition of subsidiaries (note 16)	4,800
At 30th June, 2006	4,800

The exploration and evaluation assets represent the aggregate of the cost of the rights to conduct mining activities in the location of Changdong and Yongming in the PRC and other exploration and evaluation costs. The mining rights have legal lives of 3 and 8 years, expiring in August, 2007, February, 2014, respectively. As at 30th June, 2006, the mines are in the exploration stage. In the opinion of the Directors, the Group will be able to renew the mining rights with the government continuously and at minimal charges.

**11. AMOUNTS DUE TO MINORITY SHAREHOLDERS**

	30.6.2006	31.12.2005
	RMB'000	RMB'000
<hr/>		
Langfang Transport and Highway Engineering Company Limited	5,234	119
Yancheng Xinfu Highway Company Limited	820	618
Xiangyun County Feilong Industrial Co., Ltd.	273	—
	<b>6,327</b>	737

The amounts are unsecured, interest-free and repayable on demand.

The directors consider the carrying value of the amount approximates to their fair values.

For the six months ended 30th June, 2006

**12. CONVERTIBLE BONDS**

On 23rd June, 2006, the Company issued 3.5% convertible bonds at a nominal value of HK\$75 million (approximately RMB78 million). The convertible bonds have a maximum maturity period of three years from the issue date and are convertible into ordinary shares of HK\$0.1 each in the Company at the holder's option as follows:

	Principal amount of convertible bonds	Conversion period(s) in which the convertible bonds are convertible into share		Conversion price
1st tranche convertible bonds	HK\$40,000,000	1st conversion period	12th month after issue date	HK\$ 1.2 per share
		2nd conversion	24th month period after issue date	HK\$ 1.5 per share
		3rd conversion period	36th month after issue date	HK\$ 1.8 per share
2nd tranche convertible bonds	HK\$ 20,000,000	2nd conversion period	24th month after issue date	HK\$ 1.5 per share
		3rd conversion period	36th month after issue date	HK\$ 1.8 per share
3rd tranche convertible bonds	HK\$15,000,000	3rd conversion period	36th month after issue date	HK\$ 1.8 per share
<b>Total</b>	<b>HK\$75,000,000</b>	<b>(approximately RMB78,000,000)</b>		

The fair value of the liability component and embedded derivatives of the convertible bonds portion were determined as of the date of issue by an independent professional qualified valuer.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**12. CONVERTIBLE BONDS (continued)**

The convertible bonds recognised in the balance sheet are calculated as follows:

	<b>30.6.2006</b>
	<b>RMB'000</b>
Fair value of convertible bonds issued	<b>81,245</b>
Embedded derivatives component	<b>(17,493)</b>
Liability component	<b>63,752</b>
Accrued interest	<b>170</b>
<u>Liability component at 30th June, 2006</u>	<u><b>63,922</b></u>

The fair value of the liability component of the convertible bonds at 30th June, 2006 amounted to RMB63,922,000. The fair value is calculated using cash flows discounted at the effective interest rate of 11%.

Accrued interest on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 11% to the liability component.

For the six months ended 30th June, 2006

**13. PROMISSORY NOTES**

The promissory notes of the Group are unsecured, interest-bearing at 3.5% per annum and are repayable on the following terms:

	<b>30.6.2006</b>
	<b>RMB'000</b>
Carrying amount repayable:	
Within one year	<b>12,387</b>
More than one year, but not exceeding two years	<b>29,874</b>
More than two years, but not exceeding five years	<b>29,358</b>
	<b>71,619</b>
Less: Amounts due within one year shown under current liabilities	<b>(12,387)</b>
	<b>59,232</b>

The face values of the promissory notes amounted to RMB78,000,000. As at 30th June, 2006, the fair values of the promissory notes amounted to RMB71,619,000, determined using cash flows discounted at the effective interest rate of 6%.



## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**14. UNSECURED BORROWINGS**

	<b>30.6.2006</b>	31.12.2005
	<b>RMB'000</b>	RMB'000
Unsecured loans from minority shareholders:		
— bearing interest at 7.488% per annum	<b>1,496</b>	9,496
— contractually interest-free	<b>32,193</b>	32,369
<b>Total borrowings</b>	<b>33,689</b>	41,865
The above borrowings are repayable:		
On demand or within one year	<b>3,179</b>	6,729
Between one to two years	<b>1,586</b>	6,134
Between two to five years	<b>13,159</b>	10,832
After five years	<b>15,765</b>	18,170
	<b>33,689</b>	41,865
Less: Amount due within one year and included under current liabilities	<b>(3,179)</b>	(6,729)
	<b>30,510</b>	35,136

The unsecured loan from a minority shareholder was arranged at a fixed interest rate of 7.488% per annum with an expected maturity date in 2007.

Another unsecured loan was contractually interest-free with an expected maturity date in 2012. The effective interest rate is 6% per annum.

The directors estimate the fair value of the Group's borrowings, by discounting their future cash flows at the market rate at 31st December, 2005 and 30th June, 2006. The directors consider that the carrying amount of the borrowings approximates their fair value.

For the six months ended 30th June, 2006

**15. SHARE CAPITAL**

	Number of shares	Amount HK\$'000	Shown in the financial statement RMB'000
Ordinary shares of HK\$0.10 each:			
Authorised			
At 1st January, 2006 and 30th June, 2006	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2006	200,000,000	20,000	21,000
Exercise of share options	1,230,000	123	129
At 30th June, 2006	201,230,000	20,123	21,129

**16. ACQUISITION OF SUBSIDIARIES**

On 30th March, 2006, the Company entered into a conditional agreement pursuant to which the Group has agreed to acquire the entire issued share capital of Yuelong (Baoshan) Limited, Yuelong (Puer) Limited and Yuelong (Yaoan) Limited together with the outstanding loans due to Feilong Holdings Limited, for a consideration in the sum of approximately RMB300 million. Yuelong (Baoshan) Limited, Yuelong (Puer) Limited and Yuelong (Yaoan) Limited are limited liability companies incorporated in British Virgin Islands and indirectly hold the interest in mining rights of certain lead and zinc ores in the southern part of the PRC.

The consideration was satisfied (i) as to RMB78 million by the issue of convertible bonds by the Company, (ii) as to RMB78 million by the issue of promissory notes by a wholly-owned subsidiary of the Company, and (iii) as to the remaining balance of RMB144 million in cash through internal resources.

The acquisition was completed on 23rd June, 2006.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**16. ACQUISITION OF SUBSIDIARIES (continued)**

The fair value of the identifiable assets and liabilities of the subsidiaries assumed by the Group were as follows:

	<b>Acquirees' carrying amount before combination</b>	<b>Fair value adjustment</b>	<b>Fair value</b>
	RMB'000	RMB'000	RMB'000
<b>Net assets acquired:</b>			
Property, plant and equipment	46,332	—	46,332
Mining rights	3,335	604,758	608,093
Prepaid lease payments	203	—	203
Exploration and evaluation assets	4,800	—	4,800
Inventories	6,667	—	6,667
Deposits and other receivables	254	—	254
Bank balances and cash	6,832	—	6,832
Amount due to a minority shareholder	(273)	—	(273)
Accruals and other payables	(7,657)	—	(7,657)
Amount due to a vendor	(31,356)	—	(31,356)
Deferred tax liabilities	—	(90,700)	(90,700)
Minority interests	(29,036)	(246,748)	(275,784)
<b>Fair value of net assets</b>	<b>101</b>	<b>267,310</b>	<b>267,411</b>
Goodwill on acquisition			6,816
Assignment of shareholders' loan			31,356
Transaction costs on acquisition			(8,892)
			<b>296,691</b>
<b>Consideration:</b>			
Cash paid			144,000
Convertible bonds — at fair value			81,245
Promissory notes — at fair value			71,446
			<b>296,691</b>
<b>Net cash outflow arising on acquisition:</b>			
Cash consideration paid			144,000
Bank balances and cash acquired			(6,832)
<b>Net cash outflow</b>			<b>137,168</b>

The goodwill arising on the acquisition of the subsidiaries is attributable to the anticipated profitability of the operations of the mines.

For the six months ended 30th June, 2006

**16. ACQUISITION OF SUBSIDIARIES (continued)**

The subsidiaries acquired during the period ended 30th June, 2006, contributed RMB2 million to the Group's revenue and a profit of RMB0.9 million to the Group's results for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1st January, 2006, total group revenue for the period would have been RMB103.6 million, and profit for the period would have been RMB32.4 million. This proforma information is for illustration purposes only and is not necessarily indicative of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2006, nor is it intended to be a projection of future results.

**17. RELATED PARTY TRANSACTIONS**

- (i) During the period, Group had the following transactions with related parties:

	Nature of transactions	Six months ended	
		30.6.2006 RMB'000 (audited)	30.6.2005 RMB'000 (unaudited)
Holding company of a minority shareholder	Repairs and maintenance charges paid by the Group	4,100	3,441
Minority shareholders	Interest charged to the Group*	2,263	1,841
	Maintenance charges paid by the Group	901	853
	Management fee paid by the Group	186	197
	Purchase of materials	16	—
	Rentals paid on office premises by the Group	40	40
	Sale of finished goods	1,995	—
Fellow subsidiary	Rentals paid on office premises and staff quarters by the Group	452	435

- \* Included in interest charges for the period ended 30th June, 2006 and 30th June, 2005 are the imputed interest on unsecured borrowing of RMB971,000 and RMB931,000 respectively.

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

**17. RELATED PARTY TRANSACTIONS (continued)**

- (ii) By certain land use agreements entered into on 18th October, 2001 and 3rd April, 2001 between the Group, the minority shareholders and the local land resources bureau, the parties agreed and confirmed that the Group has the right to use the land on which the toll highways and bridges are situated at no cost for the duration of its joint venture term.
- (iii) Transactions with other state-owned entities in the PRC:

The Group operates in an economic environment currently predominated by enterprises directly or indirectly controlled by the PRC government ("state-owned entities"). In addition, the Group itself is part of a larger group of companies under Jiangsu Yue Da Group Company Limited which is a state-owned company in the PRC and under the supervision of the Yancheng Municipal People's Government. Apart from the transactions with the related parties disclosed in (i) to (v) above and the normal banking transactions with state-owned banks, the Group also conducts business with other state-owned entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other state-owned entities, the Group does not differentiate whether the counter-party is a state-controlled entity or not.

Nature of transactions		Six months ended	
		30.6.2006 RMB'000 (audited)	30.6.2005 RMB'000 (unaudited)
Jiangsu Provincial People's Government	Contribution to the traffic construction works fund	<b>7,081</b>	6,869
Jiangsu Province Finance Office	Administrative management fees	<b>283</b>	278

In view of the fact that the Group's principal business during the period was the management and operation of toll highways in the PRC, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

For the six months ended 30th June, 2006

**17. RELATED PARTY TRANSACTIONS (continued)**

- (iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	<b>Six months ended</b>	
	<b>30.6.2006</b>	30.6.2005
	<b>RMB'000</b>	RMB'000
	<b>(audited)</b>	(unaudited)
Short-term benefits	<b>1,704</b>	1,562
Post-employment benefits	<b>53</b>	32
	<b>1,757</b>	1,594

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

**18. CAPITAL COMMITMENT**

At 30th June, 2006, the Group had the following capital commitment:

	<b>30.6.2006</b>	
	<b>RMB'000</b>	30.6.2005
	<b>(audited)</b>	(unaudited)
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	<b>1,993</b>	—

## Notes to the Condensed Financial Statements

For the six months ended 30th June, 2006

### 19. POST BALANCE SHEET EVENT

In late July, 2006, the Company was invited to consider a possible investment in or acquisition of interest in the mining rights of zinc and iron ore in the southern part of PRC. The mining rights are ultimately owned by a director of one of the subsidiaries of the Company. On 17th August, 2006, the Company and the potential vendor entered into a letter of intent in respect of the possible acquisition of interest in the above mining rights.

In addition, the Company is considering to dispose of its equity interest in one of its subsidiaries, which carries on toll road business.

At the date of this report, no agreement has been executed.

## FINANCIAL HIGHLIGHTS

Turnover of the Group for the Period amounted to RMB54,944,000, representing an increase of approximately 15% over RMB47,879,000 for the corresponding period of last year. Net profit for the Period amounted to RMB14,775,000, representing an increase of approximately 12% over RMB13,152,000 for the corresponding period of last year. Profit attributable to shareholders of the Company amounted to RMB9,416,000, representing a decrease of approximately 8% from RMB10,262,000 for the corresponding period of last year. Basic earnings per share was RMB4.7 cents, representing a decrease of approximately 8% from RMB5.1 cents for the corresponding period of last year.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

## BUSINESS REVIEW

### Overview

Turnover of the Group for the Period was mainly derived from toll revenues of the National Highway 204 — the Xin Fu Section (the “Xin Fu Section”) and National Highway 106 — the Wen An Section (the “Wen An Section”). During the Period, operating revenues of the Xin Fu Section and the Wen An Section amounted to approximately RMB28,324,000 and RMB27,334,000 respectively, accounting for about 51% and 49% of the total toll revenues. Their proportions were 55% and 45% respectively for the corresponding period of last year. During the Period, the toll revenue of the Wen An Section saw a greater increase. The Group’s net profit increased for the Period, while the profit attributable to shareholders decreased mainly due to the increase in the proportion of distributable profit payable to the minority shareholder of Yancheng Tongda. The Group completed the acquisition of Yunnan Yuelong mining business on 23rd June, 2006. As the post-acquisition period is still short, its effect on the Group’s revenue is not significant.



### **Xin Fu Section**

Being located in Yancheng, Jiangsu Province, the Xin Fu Section has two toll collection stations at Shizhuang and Xinxing respectively. During the Period, the average daily traffic flows amounted to 18,546 vehicles and the toll revenue was RMB28,324,000, representing an increase of approximately 3% as compared with RMB27,476,000 for the corresponding period of last year. The traffic flows and toll revenue were similar to that of the corresponding period last year. Traffic diversion caused by other highways and the competition from other means of transportation are expected to affect the toll collection business of the Xin Fu Section.

### **Wen An Section**

The Wen An Section, being located in Langfang, Hebei Province and in close proximity to Beijing, has a toll collection station at Wen An. During the Period, the average daily traffic flows amounted to 16,705 vehicles and the toll revenue was RMB27,334,000, representing an increase of approximately 19% as compared with RMB22,937,000 for the corresponding period of last year. Given an increasing vehicular flow in the roads nearby and the development of local economy and transportation industry, vehicle traffic flow and toll revenue of this section increased.

### **Toll collection system**

Computer-aided toll collection and monitoring systems for both the Xin Fu Section and the Wen An Section were in use during the Period, which assured the operating quality of the toll highway businesses. During the Period, there were no adjustments made to the toll fee standard of the Xin Fu Section or the Wen An Section.

### **Repairs, maintenance and support facilities**

During the Period, regular repair and maintenance works were carried out to ensure the road conditions of both the Wen An Section and the Xin Fu Section. However, no major overhaul was performed at either section.



## Acquisition of Lead and Zinc Mine

On 30th March, 2006, Yue Da Mining Limited (as purchaser), a wholly-owned subsidiary of the Company, entered into a conditional Share and Shareholder's Loans Transfer Agreement with, among others, Feilong Holdings Limited (as vendor). Under such agreement, Yue Da Mining Limited has conditionally agreed to acquire the share capital of each of Yuelong Limited, Yuelong (Yaoan) Limited and Yuelong (Puer) Limited and the shareholder's loans from Feilong Holdings Limited. Following the approval by the shareholders on the extraordinary general meeting ("EGM") of the Company, the acquisition of Yuelong was completed on 23rd June, 2006. The Company indirectly acquired 52% of equity interest in the three sino foreign joint venture co-operative companies established in Yunnan Province and engaged in zinc and lead mining businesses. According to the transfer agreement, the consideration for the acquisition of Yuelong was RMB300 million (equivalent to approximately HK\$288.50 million). The consideration was satisfied as to HK\$75 million by the issue of the convertible bonds by the Company; as to HK\$75 million by the issue of promissory notes which will be settled in installments over a period of 3 years after the completion of the transaction; and as to the remaining balance in cash. As no agreement had been reached in respect of the Chongqing Sino-Portuguese acquisition project, the net proceeds raised from the initial public offerings of the Company in 2001 were used for the payment of considerations in the Yuelong transaction. The Yuelong business contributed RMB2,083,000 and RMB976,000 respectively to the Group's operating revenue and operating profit for the period from 23rd June 2006 to 30th June 2006. As the period was relatively short, it did not give major contribution to the Group's revenue.

## BUSINESS PROSPECTS

The prices of metals such as lead and zinc have been on the rising trend over the past years. The Directors believe that the demand for metals such as lead and zinc will be considerable given the rapid growth of the PRC economy and the expected growth in consumption of lead and zinc in the PRC. As the production capacity of metal smelting has been increasing, demands for metal ore concentrates are expected to increase significantly. The Directors expect that the metal mining acquisition will bring a high return to the Group.



## Management Discussion and Analysis

Recently, many highways were constructed in China. Yet, it is not easy to find new toll road projects with suitable size but higher returns for future development. The commencement of operations of new highways nearby and the use of other means of transportation may probably diversify road traffic, which, in addition to the need of overhaul works of Group's toll road in the near future, may have an adverse impact on the Group's financial performance. For such reasons, the Company is currently considering the disposal of equity interest of one of its subsidiaries specializing in toll highway operations.

By the end of July 2006, the Company was invited to consider the investment or acquisition of interests in mining right in a zinc and iron mine in the People's Republic of China. The proposed vendor was a director of certain subsidiaries of the Company. Some initial due diligence exercises were conducted on the mine. The preliminary results, which are subject to further analysis, indicated that the mine had a reserve of approximately 10 million to 12 million tonnes of mineral bodies (or ores) with a weighted average grade of about 45% as to iron, and with a weighted average grade of about 2% as to zinc. Having regard to such initial results, on 17th August, 2006, the Company and the potential vendor ("Proposed Vendor") entered into a letter of intent ("LOI") in respect of the possible acquisition of interest in the mining rights of the mine. Under the LOI, the Company intends to acquire from the Proposed Vendor the entire interest in the mining rights of the mine. The Proposed Vendor has granted to the Company an exclusive right of negotiation for the period between the date of the LOI and 31st December, 2006 in relation to the proposed acquisition. The consideration is intended to be satisfied by cash and/or the Company's securities. Further negotiation has been carried out up to 7th September, 2006, being the date of this interim report and is expected to continue.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2006, the Group's non-current assets were RMB993,420,000 and current assets were RMB37,755,000 respectively, of which bank balances and cash were RMB29,773,000. The Group's total current liabilities were RMB64,386,000 and total non-current liabilities were RMB254,277,000. The Group's total shareholders' equity amounted to RMB335,399,000 and its minority interests were RMB377,316,000, with a gearing ratio (total liabilities divided by total assets) at approximately 31%.

As at 30th June, 2006, the Company did not have any external guarantees and charges, or other material contingent liabilities.

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. Most transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is low.



## Other Information

### DIRECTORS AND CHIEF EXECUTIVES INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ANY OTHER ASSOCIATED CORPORATIONS

As at 30th June, 2006, the interests or short positions of each of the Directors and Chief Executives of the Company in the shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as required to be notified the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") under sub-parts 7 and 8 of Part XV, or as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange under Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

<b>Names</b>	<b>The Company/names of the associated corporations</b>	<b>Capacity</b>	<b>Number of shares and classes</b> <i>(note)</i>
Hu You Lin	The Company	Beneficial owner	3,960,000 ordinary shares of HK\$0.10 per share (L)
Gao Yi Shan	The Company	Beneficial owner	1,200,000 ordinary shares of HK\$0.10 per share (L)
Dong Li Yong	The Company	Beneficial owner	2,220,000 ordinary shares of HK\$0.10 per share (L)
Lu Wei Dong, David	The Company	Beneficial owner	1,620,000 ordinary shares of HK\$0.10 per share (L)
Pan Wan Qu	The Company	Beneficial owner	510,000 ordinary shares of HK\$0.10 per share (L)
Shen Xiao Zhong	The Company	Beneficial owner	390,000 ordinary shares of HK\$0.10 per share (L)

Note: The letter “L” represents the interests in the shares and underlying shares in the Company or its associated corporations. The interests mentioned above represent the shares allotted upon the exercise in full of the options granted by the Company to the above-mentioned directors pursuant to the share option scheme on 29th April, 2003 and 26th September, 2005. For details, please refer to the section headed “Share Option Scheme” below.

Other than as disclosed above, none of the directors, chief executive nor their associates had any interest or short positions in any shares and underlying shares of the Company or any of its associated corporations.

### SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30th June, 2006, as shown in the register of substantial shareholders maintained by the Company under section 336 of the Securities and Futures Ordinance, the following persons had an interests of 5% or more in the issued share capital and short positions of the Company:

<b>Name of shareholder</b>	<b>Number of Shares (note 1)</b>	<b>Capacity</b>	<b>Approximate percentage of interest</b>
Yue Da Group (H.K.) Co Limited	140,000,000 (L)	Beneficial owner	69.57%
Jiangsu Yue Da Group Company Limited	140,000,000 (L)	Interest of a controlled corporation (note 2)	69.57%
Pure Talent Investments Limited	54,999,999 (L)	Interest of a controlled corporation (note 3)	27.33%
Feilong Holdings Limited	54,999,999 (L)	Beneficial owner	27.33%
Yang Long	54,999,999 (L)	Interest of a controlled corporation (note 3)	27.33%
Zhongshan Industrial Development Ltd.	10,914,000 (L)	Beneficial owner	5.42%

Notes:

(1) The letter “L” represents the interests in the shares and underlying shares in the Company.

## Other Information

- (2) Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (HK) Co., Limited and is deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (HK) Co., Limited under the Securities and Futures Ordinance.
- (3) Feilong Holdings Limited as beneficial owner had a long position of 54,999,999 Shares (representing about 27.33% of the Company's issued share capital). These Shares have not been issued and represent Shares which may be allotted and issued upon exercise of conversion rights attached to certain convertible bonds (as detailed in the Company's circular dated 5 June 2006). The entire issued share capital of Feilong Holdings Limited is held by Pure Talent Investments Limited, which is wholly and beneficially owned by Mr Yang Long.

Save as disclosed above, the Directors are not aware of any other persons who had interests of 5% or more in the issued share capital of the Company.

## SHARE OPTION SCHEME

On 12th November, 2001, the sole shareholder of the Company passed a written resolution to adopt the share option scheme of the Company. As at the end of the period, details of the outstanding options granted by the Company are as follows:

Names and classes of the participants	Exercisable period (note)	Exercise price per share HK\$	Outstanding at 30th June, 2006	Closing price
				per share immediately before the date of grant HK\$
<i>Directors of the Company:</i>				
Mr. Hu You Lin	16th May, 2003 to 28th April, 2013	0.40	<b>1,980,000</b>	0.40
	12th October, 2005 to 25th September, 2015	0.53	<b>1,980,000</b>	0.53
Mr. Lu Wei Dong, David	16th May, 2003 to 28th April, 2013	0.40	<b>1,020,000</b>	0.40
	12th October, 2005 to 25th September, 2015	0.53	<b>600,000</b>	0.53
Mr. Dong Li Yong	16th May, 2003 to 28th April, 2013	0.40	<b>1,020,000</b>	0.40
	12th October, 2005 to 25th September, 2015	0.53	<b>1,200,000</b>	0.53



Names and classes of the participants	Exercisable period (note)	Exercise price per share HK\$	Outstanding at 30th June, 2006	Closing price per share immediately before the date of grant
				HK\$
Mr. Gao Yi Shan	12th October, 2005 to 25th September, 2015	0.53	<b>1,200,000</b>	0.53
Mr. Pan Wan Qu	12th October, 2005 to 25th September, 2015	0.53	<b>510,000</b>	0.53
Mr. Shen Xiao Zhong	12th October, 2005 to 25th September, 2015	0.53	<b>390,000</b>	0.53
Total for directors of the Company			<b>9,900,000</b>	
<i>Other employees of the Company:</i>				
In aggregate	9th May, 2003 to 28th April, 2013	0.40	<b>1,260,000</b>	0.40
	12th October, 2005 to 25th September, 2015	0.53	<b>1,740,000</b>	0.53
Total for other employees of the Company			<b>3,000,000</b>	
<i>Other employees of the subsidiary</i>				
In aggregate	16th May, 2003 to 28th April, 2013	0.40	<b>1,200,000</b>	0.40
	12th October, 2005 to 25th September, 2015	0.53	<b>300,000</b>	0.53
Total for other employees of the subsidiary			<b>1,500,000</b>	
Total			<b>14,400,000</b>	





## Other Information

Note: For options granted by the Company to subscribe for shares in the Company, the date of grant (i.e. the date of offer of grant of such options to those persons so entitled under the Scheme) of the relevant options were 29th April, 2003 and 26th September, 2005 respectively. The commencement dates of the exercisable period set out in the above table are the dates of acceptance of the offers by the respective participants, while the expiry dates are the dates of expiry (i.e. 28th April, 2013 and 25th September, 2015) of a 10-year period from the date of grant as provided under the rules of the Scheme.

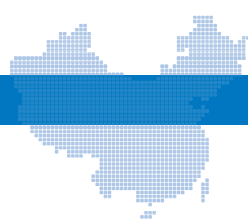
During the period, other than the exercise of 1,230,000 options by other employees of a subsidiary of the Company, no options have been exercised by other persons and the company had not granted any option.

### **EMPLOYEE AND REMUNERATION POLICY**

As at 30th June, 2006, the Group had a total of approximately 1,500 employees engaged in management, administration, toll collection functions and mining in Hong Kong and the PRC. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions were made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the period under review, the Group provided various training courses on relevant business or skills for the management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

### **REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the Period, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's shares.



## THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that the Group has complied with the code provisions of the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Listing Rules throughout the Period, except for the following:

- (i) The Chairman of the Board was unable to attend the annual general meeting of the Company, but one of the Executive Directors of the Company was present to chair the meeting;
- (ii) Non-Executive Directors did not have any fixed term of appointment, but they were subject to retirement by rotation and re-election at the annual general meeting at least once every three years in accordance with the provision of the Articles of Association of the Company.

For further information regarding the Company’s state of compliance with the CG Code, please refer to the Company’s annual report 2005 (page 12–17). During the period under review, Ms Wang Pei Ping ceased to be a director of the Company with effect from 28 June 2006.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code for securities transactions by directors (“Model Code”) set out in Appendix 10 to the Listing Rules. All the Directors in response to the specific enquiries made by the Company confirmed that they complied with the requirements set out in the Model Code throughout the Period.

## AUDIT COMMITTEE

The Company’s audit committee comprises of Mr. Cai Chuan Bing and Ms. Yu Chor Woon, Carol (both being independent non-executive Directors) and Mr. Shen Xiao Zhong (being a non-executive Director). The audit committee reviewed the accounting principles and practices adopted by the Group and the audited interim financial statements and discussed matters relating to audit, internal control and financial reporting with the management.

**REMUNERATION COMMITTEE**

The Company has set up with written terms of reference a remuneration committee, whose members are Mr. Yu Zheng Hua and Mr. Cai Chuan Bing (both being independent non-executive Directors) and Mr. Gao Yi Shan (being an executive Director). Regular meetings were held by the committee, which reviewed and deliberated on the remuneration policy, remuneration levels, the remuneration of executive Directors and related matters of the Company.

As at the date of this report, the board of directors of the Company comprises the following members:

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent Non-executive Directors</i>
Hu You Lin Gao Yi Shan Lu Wei Dong, David Dong Li Yong	Pan Wan Qu Shen Xiao Zhong	Cai Chuan Bing Yu Chor Woon, Carol Yu Zheng Hua

By the Order of the Board  
**Yue Da Holdings Limited**  
**Hu You Lin**  
*Chairman*

Hong Kong, 7th September, 2006