



悦達控股有限公司
Yue Da Holdings Limited



2 0 0 7
Interim Report

Stock Code: 629



Condensed Consolidated Income Statement

For the six months ended 30th June, 2007

	Notes	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
Revenue	3	134,881	54,944
Cost of sales		(54,533)	(621)
Operating costs		(14,924)	(25,970)
Gross profit		65,424	28,353
Other income		9,809	101
Discount on acquisition of additional interests in subsidiaries	18	17,942	—
Net fair value loss on embedded derivatives of convertible bonds	14	(71,504)	—
Administrative expenses		(18,336)	(7,359)
Interest expense	4	(7,365)	(2,606)
Profit before tax		(4,030)	18,489
Income tax expense	5	(53,752)	(3,714)
(Loss) profit for the period	6	(57,782)	14,775
Attributable to			
— Equity holders of the parent		(51,649)	9,416
— Minority interests		(6,133)	5,359
		(57,782)	14,775
Dividend	7	—	—
(Loss) earnings per share	8		
— Basic		(20.6) RMB cents	4.7 RMB cents
— Diluted		N/A	4.6 RMB cents



Condensed Consolidated Balance Sheet

At 30th June, 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	103,970	64,955
Toll roads infrastructure		126,699	134,002
Mining rights	10	942,710	953,114
Exploration and evaluation assets		9,998	9,248
Goodwill		11,170	5,474
Prepaid lease payments		1,709	773
		1,196,256	1,167,566
CURRENT ASSETS			
Prepaid lease payments		206	97
Inventories		11,833	7,858
Accounts and other receivables	11	11,565	6,418
Amounts due from related companies		7,957	4,598
Bank balances and cash		97,989	102,094
		129,550	121,065
CURRENT LIABILITIES			
Accounts and other payables	12	22,337	15,844
Amounts due to related companies		25,671	8,643
Taxation payable		528	3,678
Promissory notes	13	29,036	14,716
Convertible bonds — embedded derivatives	14	—	57,366
Bank borrowings — due within one year	15	—	18,750
		77,572	118,997
NET CURRENT ASSETS		51,978	2,068
TOTAL ASSETS LESS CURRENT LIABILITIES		1,248,234	1,169,634



Condensed Consolidated Balance Sheet

At 30th June, 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	29,256	25,976
Reserves		452,122	456,055
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
		481,378	482,031
MINORITY INTERESTS		122,091	360,002
TOTAL EQUITY			
		603,469	842,033
NON-CURRENT LIABILITIES			
Promissory notes	13	91,275	57,236
Convertible bonds — liabilities portion	14	—	66,844
Bank borrowings — due after one year	15	342,231	56,250
Deferred tax liabilities	16	211,259	147,271
		644,765	327,601
		1,248,234	1,169,634



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Attributable to equity holders of the parent									
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Accumulated profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2006	21,000	16,897	(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	5,369	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
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	916	916	19,591	20,507
Shares repurchased	(194)	(6,960)	—	—	—	—	—	(7,154)	—	(7,154)
Placing of new shares	4,000	148,000	—	—	—	—	—	152,000	—	152,000
Transaction costs attributable to placing of new shares	—	(4,943)	—	—	—	—	—	(4,943)	—	(4,943)
Shares issued upon exercise of share options	1,041	3,660	—	—	—	—	—	4,701	—	4,701
Release of equity-settled share-based payments	—	1,146	—	—	—	(1,146)	—	—	—	—
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(2,339)	(2,339)
Release of non-distributable reserves upon disposal of a subsidiary	—	—	1,112	—	—	—	—	1,112	—	1,112
Release of capital contribution upon disposal of a subsidiary	—	—	—	—	(11,703)	—	11,703	—	—	—
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(34,566)	(34,566)
At 31st December, 2006 and 1st January, 2007	25,976	157,188	(15)	157,178	—	1,047	140,657	482,031	360,002	842,033



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2007

	Attributable to equity holders of the parent										
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Accumulated profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31st December, 2006 and 1st January, 2007	25,976	157,188	(15)	157,178	—	1,047	—	140,657	482,031	360,002	842,033
Loss for the period, representing total recognised loss for the period	—	—	—	—	—	—	—	(51,649)	(51,649)	(6,133)	(57,782)
Shares issued upon conversion of convertible bonds	3,233	126,810	—	—	—	—	—	—	130,043	—	130,043
Shares issued upon exercise of share options	174	751	—	—	—	—	—	—	925	—	925
Release of equity-settled share-based payments	—	498	—	—	—	(498)	—	—	—	—	—
Transfer	—	—	7,457	—	—	—	—	(7,457)	—	—	—
Shares repurchased	(127)	(4,371)	—	—	—	—	—	—	(4,498)	—	(4,498)
Recognition of equity-settled share-based payments	—	—	—	—	—	644	—	—	644	—	644
Acquisition of additional interests in subsidiaries	—	—	—	—	—	—	(76,118)	—	(76,118)	(198,743)	(274,861)
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(33,035)	(33,035)
At 30th June, 2007	29,256	280,876	7,442	157,178	—	1,193	(76,118)	81,551	481,378	122,091	603,469

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 a Company's subsidiary 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.

The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired.



Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2007

	Note	Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
Net cash from operating activities		64,556	37,018
Net cash used in investing activities			
Acquisition of additional interests in subsidiaries	18	(242,500)	—
Acquisition of property, plant and equipment		(22,423)	(3,134)
Acquisition of subsidiaries	18	(7,492)	(137,168)
Transaction costs on acquisition of additional interests in subsidiaries	18	(3,954)	(8,892)
Other investing activities		(4,589)	284
		(280,958)	(148,910)
Net cash from (used in) financing activities			
Bank borrowings raised		349,200	—
Repayment of promissory notes		(12,246)	—
Dividend paid to minority shareholders		(33,035)	(5,041)
Repayment of bank borrowings		(72,750)	—
Other financing activities		(18,872)	(4,605)
		212,297	(9,646)
Net decrease in cash and cash equivalents		(4,105)	(121,538)
Cash and cash equivalents at beginning of the period		102,094	151,311
Cash and cash equivalents at end of the period		97,989	29,773



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

2. PRINCIPAL 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 financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2006 except as described below.

Acquisition of additional interest in subsidiaries

Discount arising on acquisition of additional interest in subsidiaries represents the excess of the fair value of the net assets attributable to the additional interest in the subsidiaries over the cost of the acquisition.

The difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries is debited directly to other reserve.

In the current interim period, the Group has applied, for the first time, a number of new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January, 2007. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standard, amendment or interpretations that have been issued but are not yet effective.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 11	HKFRS 2 — Group and Treasury Share Transactions ²
HK(IFRIC)-INT 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1st January, 2009

² Effective for annual periods beginning on or after 1st March, 2007

³ Effective for annual periods beginning on or after 1st January, 2008

HK(IFRIC)-Int 12 sets out general principles on recognising and measuring the obligations and related rights under service concession arrangements. The Group will apply this interpretation from 1st January, 2008. The directors of the Company are not yet in the position to reasonably estimate the impact that may arise on the Group's results and financial position from adoption of this interpretation. The directors of the Company anticipate that the application of the other new standard, amendment or interpretation will have no material impact on the results and the financial position of the Group.

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").



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

3. SEGMENT INFORMATION (continued)

Business segments (continued)

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

Six months ended 30th June, 2007 (unaudited)

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
Revenue			
External sales	26,283	108,598	134,881
Segment results	8,770	45,232	54,002
Other income			9,809
Discount on acquisition of additional interests in subsidiaries			17,942
Net fair value loss on embedded derivatives of convertible bonds			(71,504)
Unallocated corporate expenses			(6,914)
Interest expense			(7,365)
Loss before tax			(4,030)
Income tax expense			(53,752)
Loss for the period			(57,782)



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

3. SEGMENT INFORMATION (continued)

Business segments (continued)

Six months ended 30th June, 2006 (audited)

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

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



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

4. INTEREST EXPENSE

	Six months ended	
	30.6.2007	30.6.2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Interest on:		
— bank borrowings wholly repayable within five years	2,115	—
— a loan from a minority shareholder wholly repayable within five years	95	1,292
— promissory notes	2,128	173
— convertible bonds	3,027	170
Imputed interest expense on a non-current loan from a minority shareholder	—	971
	7,365	2,606



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2007	30.6.2006
	RMB'000	RMB'000
	(unaudited)	(audited)
PRC income tax	229	3,787
Deferred taxation	(2,893)	(73)
	(2,664)	3,714
Increase in deferred taxation resulting from a change in tax rate enacted in March 2007	56,416	—
	53,752	3,714

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

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") is subject to PRC national income tax at the rate of 15%. 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 was subject to income tax at the reduced rate of 16.5% for both periods.

Pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC, the Group's PRC mining subsidiaries enjoy a preferential tax rate of 15%. In addition, these PRC mining subsidiaries are entitled to an exemption from PRC national income tax for the two years starting from their first profit-making year, followed by a 50% tax reduction in the three years thereafter. During the six months ended 30 June 2006 and 2007, the Group's PRC mining subsidiaries were within the tax exemption period and not subject to tax.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

5. INCOME TAX EXPENSE (continued)

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16th March, 2007, the new PRC Enterprise Income Tax rates for domestic and foreign enterprises are unified at 25% effective from 1st January, 2008. The Group's PRC mining subsidiaries which are entitled to special incentives will be given concessions throughout a 5-year transition period, as applicable. Management has assessed the impact of this change in tax laws on the Group's deferred tax liabilities and made the adjustments accordingly.

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Amortisation of mining rights	10,404	486
Cost of inventories sold	44,129	135
Depreciation of property, plant and equipment	14,828	15,037
Loss (gain) on disposal of property, plant and equipment	15	(56)
Release of prepaid lease payments to the income statement	46	1
Exchange gain	(9,403)	—
Interest income	(314)	(138)

7. DIVIDEND

The directors of the Company do not recommend the payment of any interim dividend for both periods.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
(Loss) earnings		
(Loss) profit for the period attributable to equity holders of the Company for the purpose of basic (loss) earnings per share	(51,649)	9,416
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds		170
Earnings for the purpose of dilutive earnings per share		9,586
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	251,184	200,428
Effect of dilutive potential ordinary shares:		
Share options		8,214
Convertible bonds		2,127
Weighted average number of ordinary shares for the purpose of diluted earnings per share		210,769

The exercise of the Company's share options and the conversion of the Company's convertible bonds would result in a decrease in loss per share for the six months ended 30th June, 2007. Accordingly, the relevant diluted loss per share is not presented.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent RMB22,423,000 on the acquisition of property, plant and equipment.

10. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2007 and 30th June, 2007	961,442
AMORTISATION	
At 1st January, 2007	8,328
Charge for the period	10,404
At 30th June, 2007	18,732
NET BOOK VALUE	
At 30th June, 2007	942,710
At 31st December, 2006	953,114

The mining rights represent the rights to conduct mining activities in the location of Changdong, Yaoan, Hetaoping and Tengchong in the PRC. The mining operation permits were granted for periods ranging from 3 to 8 years, expiring in August 2007, February 2012, February 2014 and December 2014, respectively. In the opinion of the Directors, the Group will be able to renew the mining rights with the relevant government authorities continuously and at minimal charges. Up to the date of this report, the application for renewal of the mining operation permits of Changdong mine is still in progress.

The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

11. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivable of RMB4,276,000 (31st December, 2006: RMB1,040,000).

The Group's credit policy allows an average credit period of 30 days to its trade customers.

The trade receivables are aged within 0–30 days at the balance sheet date.

12. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of RMB4,225,000 (31st December, 2006: RMB2,792,000 which are aged within 0–30 days at the balance sheet date.

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:

	At 30.6.2007 RMB'000	At 31.12.2006 RMB'000
Carrying amount repayable:		
Within one year	29,036	14,716
More than one year, but not exceeding two years	69,724	29,874
More than two years, but not exceeding five years	21,551	27,362
	120,311	71,952
Less: Amounts due within one year shown under current liabilities	(29,036)	(14,716)
	91,275	57,236



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

13. PROMISSORY NOTES (continued)

- (i) In June 2006, the Group acquired the initial 52% equity interest in certain PRC mining subsidiaries and issued three promissory notes (the “2006 Promissory Note”) as part of the purchase consideration (the “Initial Purchase Consideration”). Pursuant to the relevant acquisition agreements, the vendor guaranteed a pre-determined amount of minimum profit that each of these PRC mining subsidiaries had to achieve for a two-year period after the date of the acquisition (the “Guaranteed Profits”). The Group would have the right to adjust the Initial Purchase Consideration to the extent of the shortfall in the Guaranteed Profits by adjusting the amount of the 2006 Promissory Note. Such adjustments were made during the year ended 31st December, 2006 based on management's best estimate at that time. During the six months ended 30th June, 2007, management reviewed these adjustments and concluded that the adjustments should be reduced by RMB2,461,000. In addition, upon acquisition by the Group of further interests in these PRC mining subsidiaries, the obligation of the vendor (now a fellow subsidiary of a minority shareholder of these PRC mining subsidiaries) under the Guaranteed Profits was released.
- (ii) On 28th June, 2007, the Group issued two promissory notes with a total principal amount of HK\$69,330,000 (equivalent to RMB67,250,000, the “2007 Promissory Notes”) as consideration for the redemption of certain convertible bonds (Note 14). The 2007 Promissory Notes carry a coupon interest rate of 3.5% per annum and will be repayable by two installments of HK\$42,670,000 and HK\$26,660,000 on 31st December, 2008 and 2009 respectively. The effective interest rate is 9%. The total fair value of these two 2007 Promissory Notes on the date of the issue was RMB60,518,000, determined using cash flows discounted at the interest rate of 9%.
- (iii) As at 30th June, 2007, the total fair value of all the promissory notes of the Group amounted to RMB120,311,000 (31st December, 2006: RMB71,952,000), determined using cash flows discounted at the interest rate of 9%.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

14. CONVERTIBLE BONDS

On 23rd June, 2006, the Company issued 3.5% convertible bonds at a nominal value of HK\$75 million (equivalent to RMB72.75 million). The convertible bonds had a maximum maturity period of three years from the issue date and were convertible into ordinary shares of HK\$0.1 each in the Company at the holders' option as follows:

Convertible bonds	Principal amount of convertible bonds	Conversion period(s) in which the convertible bonds are convertible into share		Conversion price
1st tranche	HK\$40,000,000	1st conversion period	12th month after issue date	HK\$1.2 per share
		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
2nd tranche	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	HK\$15,000,000	3rd conversion period	36th month after issue date	HK\$1.8 per share
Total	HK\$75,000,000			
equivalent to:	(RMB72,750,000)			

At any time before maturity, the holders of the convertible bonds have the right to demand for early redemption at the consideration to be determined on arm-length basis between the Company and the holders.

Any convertible bonds not converted, or redeemed, will be repaid by the Group on the maturity date at their principal amount.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

14. CONVERTIBLE BONDS (continued)

On 21st June, 2007, the 1st Tranche convertible bonds with a principal amount of HK\$40,000,000 (equivalent to RMB38,800,000) were converted into the Company's shares at the conversion price of HK\$1.20 per share. Accordingly, 33,333,333 ordinary shares of HK\$0.10 each in the capital of the Company were issued.

On 28th June, 2007, pursuant to a redemption agreement dated 11th April, 2007, the 2nd and 3rd Tranche convertible bonds with principal amounts of HK\$20,000,000 (equivalent to RMB19,400,000) and HK\$15,000,000 (equivalent to RMB14,550,000), respectively, were redeemed at a total consideration of HK\$69,330,000 (equivalent to RMB67,250,000). The redemption consideration was determined based on the market prices of the Company's shares for the period from 2nd January, 2007 to 11th April, 2007 (both dates inclusive) as quoted by the Stock Exchange (the average closing prices for such trading days being HK\$3.21 per share) and the maximum number of shares which could fall to be issued upon the exercise in full of the conversion rights attaching to the 2nd Tranche and the 3rd Tranche convertible bonds. The redemption was satisfied by the issue by the Group of two promissory notes with a total principal sum of HK\$69,330,000 (equivalent to RMB67,250,000). The total fair value of these two promissory notes on the date of the issue was RMB60,518,000, further details of which are set out in note 13.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

14. CONVERTIBLE BONDS (continued)

The movement of the convertible bonds is as follows:

	Liability portion RMB'000	Embedded derivatives portion RMB'000	Total RMB'000
Carrying amount of convertible bonds at 1st January, 2007	66,844	57,366	124,210
Exchange realignment	(2,014)	(3,573)	(5,587)
Interest paid	(2,593)	—	(2,593)
Interest amortised	3,027	—	3,027
Net increase in fair value	—	71,504	71,504
Conversion during the period	(34,807)	(95,236)	(130,043)
Redemption during the period	(30,457)	(30,061)	(60,518)
Carrying amount of convertible bonds at 30th June, 2007	—	—	—

The net fair value loss on embedded derivatives of convertible bonds during the six months ended 30th June, 2007 amounted to RMB71,504,000 (six months ended 30th June, 2006: Nil).

The fair value of the embedded derivatives portion of the convertible bonds is determined using the Black-Scholes Option Pricing Model, while the fair value of the liability component is calculated using cash flows discounted at an interest rate of 9%.

Accrued interest on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 9% to the liability component.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

15. SECURED BANK BORROWINGS

	At 30.6.2007 RMB'000	At 31.12.2006 RMB'000
The secured bank borrowings are repayable:		
On demand or within one year	—	18,750
Between one to two years	71,538	56,250
Between two to five years	277,662	—
	349,200	75,000
Less: Amount due within one year and included under current liabilities	—	(18,750)
	349,200	56,250
Less: Loan arrangement fees	(6,969)	—
	342,231	56,250

During the year, the Group obtained a 5 year term loan in the amount of HK\$360,000,000 (equivalent to RMB349,200,000). The bank loan carries interest at Hong Kong Interbank Offered Rate plus 1% per annum. The effective interest rate is 6%. The bank loan was used to finance the acquisition of a subsidiary and additional equity interests in other subsidiaries, and to refinance the existing bank loan and for general working capital. The bank loan is secured by the Company's equity interests in certain subsidiaries.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

16. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised and movements thereof during the current period:

	Fair value adjustment on acquisition of mining rights RMB'000	Accelerated tax depreciation RMB'000	Total RMB'000
At 31st December, 2006	142,478	4,793	147,271
Acquisition of additional interests in subsidiaries (note 18b)	10,465	—	10,465
Credit to income statement for the period	(1,546)	(1,347)	(2,893)
Increase in deferred tax liability arising from a change in tax rate enacted in March 2007	56,416	—	56,416
At 30th June, 2007	207,813	3,446	211,259



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

17. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the financial statements RMB'000
Ordinary shares of HK\$0.10 each:			
Authorised			
At 1st January, 2006, 31st December, 2006 and 30th June, 2007	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2007	249,762,000	24,976	25,976
Conversion of convertible bonds (Note)	33,333,333	3,333	3,233
Exercise of share options	1,800,000	180	174
Shares repurchased	(1,314,000)	(131)	(127)
At 30th June, 2007	283,581,333	28,358	29,256

Note: On 21st June, 2007, convertible bonds with a principal amount of HK\$40,000,000 (equivalent to RMB38,800,000) were converted into shares of HK\$0.10 each in the Company at the conversion price of HK\$1.20 per share. Accordingly, a total of 33,333,333 ordinary shares of HK\$0.10 per share were issued.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

18. BUSINESS COMBINATIONS

(a) Acquisition of a subsidiary

On 6th April, 2007, the Company entered into an agreement pursuant to which the Group agreed to acquire the entire issued share capital of Tengchong Ruilong Gongmao Co., Ltd. ("Tengchong Ruilong") for a consideration of RMB25 million. Tengchong Ruilong Gongmao Co., Ltd. is a limited liability company incorporated in the PRC and engaged in the processing of zinc and lead.

The consideration was satisfied as to (i) RMB17 million by consideration payable by the Company and will be offset against trade receivables, and repayable within one year, (ii) the remaining balance of RMB8 million in cash through internal resources.

The acquisition was completed on 10th May, 2007.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

18. BUSINESS COMBINATIONS (continued)

(a) Acquisition of a subsidiary (continued)

The fair value of the identifiable assets and liabilities of the subsidiary acquired by the Group were as follows:

	Acquiree's carrying amount before combination RMB'000	Fair value RMB'000
Net liabilities acquired:		
Property, plant and equipment	19,980	19,980
Prepaid lease payments	1,093	1,093
Inventories	411	411
Amount due from a related company	1,555	1,555
Accounts and other receivables	3,371	3,371
Bank balances and cash	508	508
Accounts and other payables	(4,735)	(4,735)
Amounts due to shareholders	(23,830)	(23,830)
Dividend payable	(45)	(45)
Taxation payable	(373)	(373)
Fair value of net liabilities	(2,065)	(2,065)
Goodwill on acquisition		3,235
Assignment of shareholders' loan		23,830
		25,000
Consideration:		
Cash paid		8,000
Consideration payable		17,000
		25,000
Net cash outflow arising on acquisition		
Cash consideration paid		8,000
Bank balances and cash acquired		(508)
		7,492



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

18. BUSINESS COMBINATIONS (continued)

(a) Acquisition of a subsidiary (continued)

The goodwill is attributable to the high profitability and synergies expected to arise from the acquired subsidiary.

The subsidiary acquired during the period ended 30th June, 2007 contributed RMB0.7 million to the Group's revenue and a profit of RMB0.1 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 2007, total group revenue for the period would have been RMB142,331,000, and loss for the period would have been RMB57,136,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

(b) Acquisition of additional interests in subsidiaries

On 11th April, 2007, Yue Da Mining Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement pursuant to which the Group has agreed to acquire the entire issued share capital of Joy East Group Limited ("Joy East"), Joy Pride International Limited ("Joy Pride") and Merry Best Investments Limited ("Merry Best") together with the shareholder's loans for an aggregate consideration of HK\$250 million (equivalent to RMB242.5 million). Joy East, Joy Pride and Merry Best are limited liability companies incorporated in the British Virgin Islands and held the minority interests in certain mining subsidiaries of the Group. The consideration was satisfied by cash. The acquisition was completed on 28th June, 2007.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

18. BUSINESS COMBINATIONS (continued)

(b) Acquisition of additional interests in subsidiaries (continued)

The fair values of the identifiable assets and liabilities attributable to the minority interests of the relevant mining subsidiaries acquired by the Group were as follows:

	RMB'000
Increase in fair value of mining rights attributable to the minority interests acquired	76,118
Less: Related deferred tax effect	(10,465)
	65,653
Amounts due to shareholders	(27,600)
Minority interests acquired	198,743
	236,796
Fair value of net assets acquired	236,796
Discount on acquisition	(17,942)
Assignment of shareholders' loans	27,600
	246,454
Consideration:	
Cash paid	242,500
Transaction costs directly attributable to the acquisition	3,954
	246,454
Net cash outflow arising on acquisition	
Cash consideration paid	246,454

The discount on acquisition arose as a result of an increase in value of the underlying mines after the consideration was agreed.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

19. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible employees of the Group. Details of the movement of these share options during the current period are as follows:

	Number of share options
Outstanding at the beginning of the period	3,930,000
Granted during the period	720,000
Exercised during the period	(1,800,000)
Outstanding at the end of the period	2,850,000

On 9th March, 2007, share options were granted and vested immediately on the date of grant. The closing price of the Company's shares immediately before 9th March, 2007 was HK\$3.00. The fair value of the options determined as of the date of grant using the Black-Scholes option pricing model was RMB644,000.

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.07.

The following assumptions were used to calculate the fair value of the share options granted on 9th March, 2007:

Grant date share price	HK\$3.00
Exercise price	HK\$3.00
Expected life	3 years
Expected volatility	43.20%
Dividend yield	1.33%
Risk-free interest rate	3.99%

Expected volatility was determined by using the historical volatility of the Company's share price over the past 180 days to the date of grant.

The expected life used in the model reflects the option life from the date of grant.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

19. SHARE-BASED PAYMENTS (continued)

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables and subjective assumptions.

20. CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions with related parties, certain of which are also deemed to be connected persons as defined in the Listing Rules. The transactions with these companies during the period are as follows:

(i) Connected parties

(a) Transactions with minority shareholders and their affiliates:

Nature of transactions	Six months ended	
	30.6.2007	30.6.2006
	RMB'000 (unaudited)	RMB'000 (audited)
Interest charged to the Group	95	2,263
Maintenance charges paid by the Group	—	901
Management fee paid by the Group	—	186
Purchase of materials by the Group	6,072	16
Purchase of property, plant and equipment by the Group	128	—
Rentals paid on office premises by the Group	—	40
Repairs and maintenance charges paid by the Group	4,150	4,100
Sale of finished goods by the Group	88,185	1,995
Subcontracting fee paid by the Group	4,546	—
Acquisition by the Group of a subsidiary and additional interests in subsidiaries	267,500	—



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

20. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(i) Connected parties (continued)

- (b) Pursuant to the agreement between the Group, the minority shareholder of the Group's toll road subsidiary and the relevant government bureau, the parties have 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.
- (c) Details of a profit guarantee arrangement with a fellow subsidiary of the minority shareholder of the Group's PRC mining subsidiaries are set out in note 13(i).

(ii) Related parties

- (a) During the period, the Group paid rentals of RMB430,000 (six months ended 30th June, 2006: RMB452,000) to a fellow subsidiary in respect of office premises and staff quarters.

The rentals were charged in accordance with the relevant tenancy agreement.

- (b) *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) and (ii) above, the Group also has normal banking transactions with state-owned banks and 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

20. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(ii) Related parties (continued)

(b) Transactions with other state-owned entities in the PRC: (continued)

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.

Nature of transactions		Six months ended	
		30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
Jiangsu Provincial People's Government	Contribution to the traffic construction works fund	—	7,081
Jiangsu Province Finance Office	Administrative management fees	—	283



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2007

20. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(ii) Related parties (continued)

(c) Compensation of key management personnel

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

	Six months ended	
	30.6.2007 RMB'000 (unaudited)	30.6.2006 RMB'000 (audited)
Short-term benefits	1,523	1,704
Post-employment benefits	41	53
Share-based payments	1,596	—
	3,160	1,757

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

21. CAPITAL COMMITMENTS

At 30th June, 2007, the Group had the following capital commitments:

	At 30.6.2007 RMB'000 (unaudited)	At 30.6.2006 RMB'000 (audited)
Capital expenditure in respect of acquisition of property, plant and equipment authorised but not contracted for	4,244	1,993



Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

Turnover of the Group for the six months ended 30th June, 2007 (the "Period") amounted to RMB134,881,000, which represented an increase of approximately 145% over RMB54,944,000 in the corresponding period of last year. Gross operating profit amounted to RMB65,424,000, representing an approximate 131% increase as compared to RMB28,353,000 in the corresponding period of last year.

The Group made two significant accounting adjustments during the Period. Firstly, regarding to the convertible bonds in the amount of HK\$75,000,000 issued to Feilong Holdings Limited by the Company on 23rd June, 2006, due to the increase in the share price and other factors, the fair value of such convertible bonds resulted in an increase of RMB71,504,000 according to the valuation carried out by a valuer. As required by the Hong Kong Accounting Standards, such change in fair value shall be recorded as losses for the current period. Secondly, in the valuation of the Company's mining rights, the income tax rate of 15% was originally applied in the calculation of the deferred tax. However, with the new enterprise income tax promulgated on 16th March 2007, the income tax will be gradually adjusted to the rate of 25% with effect from 1st January, 2008. Therefore, the Company made accounting adjustments for the amount of deferred tax, resulting in a one-off increase in the Company's income tax expenses of RMB56,416,000.

Due to the above accounting adjustments, the Group recorded a net book loss of RMB57,782,000, of which loss attributable to equity holders of the Company accounted for RMB51,649,000 (or basic loss per share of RMB0.206) as compared to profit attributable to equity holders of the Company of RMB9,416,000 (or a basic earnings per share of RMB4.7 cents) in the corresponding period of last year. The directors of the Company (the "Directors") considered such accounting adjustments did not materially affect the normal production and operation of the Group, since the above accounting adjustments were recorded as a one-off accounting adjustments and all of the convertible bonds issued by the Company were redeemed and converted during the Period.

INTERIM DIVIDEND

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



Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group is principally engaged in the mining as well as cleansing and processing of metal minerals, and the operation of a toll road. During the Period, the Mining Operations realised an operating revenue of RMB108,598,000 with an operating profit of RMB55,636,000, which represented a profit of RMB45,232,000 for the Mining Operations after deducting the amortisation charges of mining rights of RMB10,404,000. The Toll Road Operations recorded an operating revenue of RMB26,283,000 and a segment profit of RMB8,770,000. During the corresponding period of last year, the Group was mainly engaged in the operation of two toll roads while the Mining Operations were just started.

Mining Operations

During the Period, the Mining Operations recorded an operating revenue of RMB108,598,000 with a gross profit of RMB64,372 and gross profit margin of approximately 59%. The ores extracted during the Period amounted to 270,524 tons with a unit mining cost of approximately RMB66 per ton and a unit processing cost of approximately RMB98 per ton. The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 3,822 metal tons, lead ore concentrates of 1,437 metal tons, silver of 951 kilograms and iron ore concentrates of 52,290 tons, as well as the direct sales of oxidized zinc ores of 3,240 tons. During the Period, the metal ore concentrates were sold at an average price of RMB20,348 per metal ton for zinc ore concentrates, RMB14,398 per metal ton for lead ore concentrates (with silver content), and RMB532 per ton for iron ore concentrates.

During the Period, both Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong") and Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") expanded the production capacity of their plants. Yaoan Feilong built an additional processing plant with a daily processing capacity of 600 tons, which commenced production in March 2007; while Baoshan Feilong upgraded its processing plant with a daily processing capacity of 500 tons, which also commenced production in April 2007, and will steadily achieve the planned production capacity. On 10th May, 2007, Tengchong Ruitu Mining and Technology Limited ("Tengchong Ruitu") completed the acquisition of the Ruilong plant which originally processed ores for Tengchong Ruitu and made investment in upgrading the technology and enhancing the capacity of the plant. Currently, the project is still in progress and its completion will further enhance the self-operation of Tengchong Ruitu. The newly explored mine No.10 will soon reach the level where ore deposits are found, which will then substantially boost the daily production capacity of ores. However, the Mining Operations have also encountered certain challenges. The daily production process was affected by the implementation of such innovation and acquisition projects, and the production volume for the Period was also affected to a certain extent. In addition, unexpected difficulties arose during the production process. For example, the



Management Discussion and Analysis

transportation of ores from the Tengchong mine was affected during the Period due to the arrangement made for villagers during the Period; and the intense rain in the second half of 2007 resulted in serious production safety-related accidents in other mines in Tengchong county, causing the local government to order suspension of the production of all local mining companies for over a month. The production targets were affected to a certain extent as a result of these factors. However, in the opinion of the Directors, such impact was temporary and would not adversely affect the future development of the Mining Operations.

Toll Road Operations

The Wen An Section of the National Highway 106 in Hebei Province (the “Wen An Section”), located in Langfang, Hebei, and in close proximity to Beijing, has a toll collection station at Wen An. Annual average daily traffic (AADT) reached 15,233 during the Period while the operating revenue achieved RMB27,666,000, which represented an approximately 1% increase over RMB27,334,000 in the corresponding period of last year. Steady vehicle flows and toll revenues were recorded and it is expected that the Toll Road Operations will continue to develop steadily in the future.

The Wen An Section has also implemented a computer-aided toll fee and control system to uphold the standard of the Toll Road Operations. No adjustment was made to the toll fee for the Wen An Section during the Period. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Period. However, no large-scale maintenance works have been carried out.

Acquisition of Additional Equity Interests in the Feilong Mining Project

On 28th June, 2007, the Company completed the acquisition of the additional equity interests in three subsidiaries, namely Baoshan Feilong, Yaoan Feilong and Puer Feilong Mining Co., Ltd. (the “Feilong Mining Project”). The consideration for such acquisition was HK\$250,000,000, which was mainly funded by a 5 years’ term loan from a licensed bank in Hong Kong. Such acquisition recorded a gain on discount of RMB17,942,000. Accordingly, except for the 8.5% equity interests in Baishan Feilong that remained to be held by a minority shareholder, the Group owned 100% equity interests in its four mining companies, the five mines of which are under production operation.

BUSINESS PROSPECTS

The Group is committed to enhancing the production capacity of its existing mines with an aim to enhance its mining and exploration strengths within the mining sites. The acquisition of a processing plant and expansion of the production capacity of Baoshan Feilong and Yaoan Feilong completed during the Period. Such new facilities can increase the production capacity of the existing mines. Tengchong Ruitu is actively exploring new mines and carrying out its



Management Discussion and Analysis

construction works as scheduled so as to increase the mining capacity of the Tengchong site. The project on the technical reconstruction and expansion of the production capacity of the newly acquired processing plant is in progress, and the processing capacity and recovery rate of the plant can be boosted significantly upon completion of the project.

The Directors believe that the demand for lead and zinc will be considerable in view of the rapid growth of the PRC economy and the expected growth in the consumption of lead and zinc in the PRC. As the production capacity of metal smelting has been increasing, the demands for metal ore concentrates are expected to increase rapidly. In light of the prices of metals (such as lead and zinc) which continue to maintain at high levels, the production costs for lead, zinc and iron ore concentrates will be relatively low while the gross margin for ore concentrates will be relatively high. The Directors believe that the Mining Operations will yield promising returns for the Group. The Group will continue to look for opportunities to acquire metal mines with abundant ore resources, high returns and competitive prices so as to further diversify its investment portfolio and to secure higher returns for its shareholders. On the other hand, the pace of Toll Road Operations' growth is relatively slow, and the cost of repair and maintenance works may also increase gradually as a result of prolonged hours of highway usage, thus affecting the investment returns for the Toll Road Operations.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2007, the Group's non-current assets were RMB1,196,256,000. Current assets amounted to RMB129,550,000, of which bank deposits and cash accounted for RMB97,989,000. The Group's total current liabilities were RMB77,572,000 and total non-current liabilities were RMB644,765,000. The Group's total shareholders' equity amounted to RMB481,378,000 and its minority interests were RMB122,091,000, with a gearing ratio (total liabilities over total assets) of approximately 54%. This ratio was higher when compared to 31% in the corresponding period of last year, mainly attributable to the Group's new bank borrowings amounting to HK\$285,000,000 for the acquisition and the operation requirements and the issue of promissory notes amounting to HK\$69,330,000 for the redemption of the convertible bonds during the Period.

As at 30th June, 2007, except for the guarantees and charges in the amount of HK\$360,000,000 provided to Industrial and Commercial Bank of China (Asia) Limited by the Group, the Company did not have any guarantees and charges nor any other material contingent liabilities.

The Group's monetary assets, liabilities and transactions are mainly denominated in Hong Kong dollars, Renminbi and US dollars. During the Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal. The Group recorded an exchange gain amounting to RMB9,403,000 during the Period due to the appreciation of Renminbi.



Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30th June, 2007, the interests and short positions of each of the Directors and Chief Executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as required to be notified to 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:

Name	Company/ name of the associated corporation	Capacity	Number and class of shares (note 1)
Hu You Lin	The Company	Beneficial owner	1,980,000 ordinary shares of HK\$0.10 per share (L)
		Beneficial owner	1,980,000 ordinary shares of HK\$0.10 per share (L) (Note 2)
Dong Li Yong	The Company	Beneficial owner	1,620,000 ordinary shares of HK\$0.10 per share (L)

Note:

1. The letter "L" represents the interests in the shares and underlying shares of the Company or its associated corporations.
2. 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 26th September, 2005. For details, please refer to the section headed "Share Option Scheme" below.

Save as disclosed above, none of the directors, chief executives or their related parties had any interests or short positions in any shares and underlying shares of the Company or any of its associated corporations.



Other Information

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

As at 30th June, 2007, 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 interests of 5% or more in the issued share capital and short positions of the Company:

Name of the shareholder	Number of shares (Note 1)	Capacity	Approximate percentage of interests
Yue Da Group (H.K.) Co Limited	135,000,000(L)	Beneficial owner	47.61% (Note 3)
Jiangsu Yue Da Group Company Limited	135,000,000(L)	Interest of a controlled corporation (Note 2)	47.61% (Note 3)
Feilong Holdings Limited	33,333,333(L)	Beneficial owner	11.75% (Note 5)
Pure Talent Investments Limited	33,333,333(L)	Interest of a controlled corporation (Note 4)	11.75% (Note 5)
Yang Long	33,333,333(L)	Interest of a controlled corporation (Note 4)	11.75% (Note 5)
Keywise Capital Management (HK) Limited	25,775,000(L)	Investment manager	9.09%
Keywise Greater China Opportunities Master Fund	16,721,000(L)	Investment manager	5.90%



Other Information

Name of the shareholder	Number of shares (Note 1)	Capacity	Approximate percentage of interests
UBS AG	16,414,000(L)	Person having a security interest in shares	5.79%

Note:

- The letter "L" represents the entity's interests in the shares.
- These shares are registered in the name of Yue Da Group (H.K.) Co Limited. The entire issued share capital of Yue Da Group (H.K.) Co Limited is held by Jiangsu Yue Da Group Company Limited.
- As set out in the corporate substantial shareholder notices filed by these shareholders on 16 April 2007, each of these shareholders had interests in 135,000,000 shares, representing 54.23% (as set out in the notices) of the then issued share capital of the Company (the number of shares in issue disclosed in the notices is 248,958,000). 135,000,000 shares represent 47.61% of the total issued shares of the Company as at 30 June 2007 (i.e. 283,581,333 shares).
- 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.
- As set out in the corporate substantial shareholder notice/individual substantial shareholder notice filed by these shareholders on 3 July 2007, each of these shareholders had interests in 33,333,333 shares, representing 11.78% (as set out in the notices) of the then issued share capital of the Company (the number of shares in issue disclosed in the notices is 282,891,333). 33,333,333 shares represent 11.75% of the total issued shares of the Company as at 30 June 2007 (i.e. 283,581,333 shares).
- As set out in the corporate substantial shareholder notices filed by Sinochem Kingsway Capital Inc., Sinochem Hong Kong (Group) Company Limited and Sinochem Corporation filed on 25 January 2007, each of them had interests in 14,000,000 shares, representing 5.61% (as set out in the notices) of the issued share capital of the Company (the number of shares in issue disclosed in the notices is 249,762,000 shares). 14,000,000 shares represent 4.94% of the total issued shares of the Company as at 30 June 2007 (i.e. 283,581,333 shares).

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



Other Information

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 were as follows:

Name and class of the participants	Date of grant	Exercisable period (Note)	Exercise price per share HK\$	Outstanding as at 30th June, 2007	Closing price per share immediately before the date of grant HK\$
<i>Directors of the Company:</i>					
Mr. Hu You Lin	26 September 2005	12th October, 2005 to 25th September, 2015	0.53	1,980,000	0.53
<i>Other employees of the Company:</i>					
In aggregate	9th March 2007	9th March, 2007 to 8th March, 2017	3.00	720,000	2.97
<i>Other employees of the subsidiary</i>					
	29 April 2003	16th May, 2003 to 28th April, 2013	0.40	150,000	0.40
Total				2,850,000	

Note: The dates of grant of the options granted by the Company to subscribe for shares in the Company (i.e. the dates which the Company offered the grant of such options to those persons so entitled under the Scheme) were 29th April, 2003, 26th September, 2005 and 9th March, 2007 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, 25th September, 2015 and 8th March, 2017) of a 10-year period from the dates of grant as provided under the Scheme.

During the Period, no options were cancelled or lapsed.

During the Period, other than the exercise of 1,800,000 options by the employees of the Company and the former Directors, no options were exercised by other persons. The exercise price of these options was HK\$0.53 per share. The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$3.07.



Other Information

During the Period, Options to subscribe for 720,000 shares were granted to employees of the Company. The exercise period of these options were from 9th March, 2007 to 8th March, 2017, exercise price per share is HK\$3.00. The closing price of the shares immediately before the date on which their option were granted were HK\$2.97 per share.

EMPLOYEE AND REMUNERATION POLICY

As at 30th June 2007, the Group had a total of 1,742 employees in Hong Kong and the PRC engaging in management, administration, mining and toll collection functions. 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 employees in the PRC in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, the Group provided various training courses on relevant business or skills for its 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 during the Period.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 5th January, 2007, the Company repurchased 1,314,000 ordinary shares of HK\$0.10 each in its share capital at an average price of approximately HK\$3.52 per share, and the aggregate amount that shall be paid was HK\$4,620,840. These shares were all repurchased through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's listed securities during the Period.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group complied with all of the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange throughout the Period, except that the Chairman of the Board was unable to attend the annual general meeting of the Company due to business reasons, but one of the executive directors of the Company was present to chair such meeting (derivation from code provision E.1.2).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of the Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. All the directors of the Company, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Period.



Other Information

AUDIT COMMITTEE

The audit committee of the Board currently comprises Mr. Cai Chuan Bing and Ms. Leung Mei Han (both being independent non-executive Directors) and Mr. Qi Guangya (being a non-executive Director). Its duties include reviewing all matters relating to the scope of audit, such as financial statements and internal controls, with an aim to safeguard the interest of the shareholders of the Company. During the Period, the audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited interim financial report and discussed matters relating to audit, internal controls 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. Cui Shuming and Mr. Cai Chuan Bing (both being independent non-executive Directors) and Mr. Dong Li Yong (being an executive Director). Regular meetings were held by the committee during the Period to review and discuss matters relating to the remuneration policy, remuneration levels and remuneration of the executive directors of the Company.

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

Executive Directors

Hu You Lin
Dong Li Yong
Chen Gang

Non-executive Directors

Liu Xiao Guang
Qi Guang Ya

Independent non-executive Directors

Cai Chuan Bing
Leung Mei Han
Cui Shu Ming
Han Run Sheng

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

Hong Kong, 24th September, 2007