



悦達礦業控股有限公司  
Yue Da Mining Holdings Limited



Interim Report 2008



# Condensed Consolidated Income Statement

For the six months ended 30th June, 2008

	NOTES	Six months ended	
		30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Revenue	3	140,766	134,881
Cost of sales		(53,039)	(54,533)
Direct operating costs		(16,760)	(14,924)
Gross profit		70,967	65,424
Other income		28,725	9,809
Discount on acquisition of additional interests in mining subsidiaries		—	17,942
Loss from fair value changes of convertible bonds' embedded derivatives		—	(71,504)
Administrative expenses		(38,984)	(18,336)
Interest expenses	4	(14,055)	(7,365)
Profit (loss) before tax		46,653	(4,030)
Income tax expense	5	(8,565)	(53,752)
Profit (loss) for the period	6	38,088	(57,782)
Attributable to			
— Equity holders of the Company		32,494	(51,649)
— Minority interests		5,594	(6,133)
		38,088	(57,782)
Dividend	7	—	—
Earnings (loss) per share	8		
— Basic		10.3 RMB cents	(20.6) RMB cents
— Diluted		10.3 RMB cents	N/A

# Condensed Consolidated Balance Sheet

At 30th June, 2008

	NOTES	30.6.2008 RMB'000 (unaudited)	31.12.2007 RMB'000 (audited) (restated)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	212,280	132,844
Prepaid lease payments		2,912	2,887
Mining rights	10	1,353,065	1,081,953
Goodwill		7,298	7,298
Other intangible assets	9	108,135	117,416
Deposits paid for acquisition of property, plant and equipment		—	1,922
		<b>1,683,690</b>	<b>1,344,320</b>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		232	229
Inventories		36,936	23,931
Trade and other receivables	11	24,284	13,857
Amounts due from related parties	12	13,566	22,635
Bank balances and cash		131,529	128,952
		<b>206,547</b>	<b>189,604</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	52,594	38,534
Amounts due to related parties	12	14,253	6,231
Taxation payable		3,174	1,908
Promissory notes			
— due within one year	14	68,271	68,716
Bank borrowing			
— due within one year		64,841	34,493
		<b>203,133</b>	<b>149,882</b>
<b>NET CURRENT ASSETS</b>		<b>3,414</b>	<b>39,722</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,687,104</b>	<b>1,384,042</b>

# Condensed Consolidated Balance Sheet

At 30th June, 2008

	NOTES	<b>30.6.2008</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2007 RMB'000 (audited) (restated)
<b>CAPITAL AND RESERVES</b>			
Share capital	15	<b>33,122</b>	31,208
Reserves		<b>791,955</b>	648,606
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>			
		<b>825,077</b>	679,814
<b>MINORITY INTERESTS</b>			
		<b>131,583</b>	113,014
<b>TOTAL EQUITY</b>			
		<b>956,660</b>	792,828
<b>NON-CURRENT LIABILITIES</b>			
Promissory notes			
– due after one year	14	<b>23,145</b>	53,384
Bank borrowing			
– due after one year		<b>251,671</b>	302,251
Loan from immediate holding company	16	<b>79,094</b>	–
Consideration payable for acquisition of subsidiaries	17	<b>70,375</b>	–
Deferred tax liabilities	18	<b>306,159</b>	235,579
		<b>730,444</b>	591,214
		<b>1,687,104</b>	1,384,042

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

	Attributable to equity holders of the Company										
	Non-				Share			Accumulated	Total	Minority	Total
	Share	Share	distributable	Special	Capital	options	Other				
capital	premium	reserves	reserve	contribution	reserve	reserve	RMB'000	RMB'000	RMB'000	RMB'000	
At 1st January, 2007 (audited)	25,976	157,188	(15)	157,178	–	1,047	–	140,657	482,031	360,002	842,033
Loss for the period, representing total recognised expense for the period	–	–	–	–	–	–	–	(51,649)	(51,649)	(6,133)	(57,782)
Shares repurchased and cancelled	(127)	(4,371)	–	–	–	–	–	–	(4,498)	–	(4,498)
Recognition of equity-settled share-based payments	–	–	–	–	–	644	–	–	644	–	644
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(33,036)	(33,036)
Acquisition of additional interests in subsidiaries	–	–	–	–	–	–	(59,372)	–	(59,372)	(205,024)	(264,396)
Conversion of convertible bonds	3,233	126,810	–	–	–	–	–	–	130,043	–	130,043
Exercise of share options	174	1,249	–	–	–	(498)	–	–	925	–	925
Transfer	–	–	7,457	–	–	–	–	(7,457)	–	–	–
At 30th June, 2007 (unaudited)	29,256	280,876	7,442	157,178	–	1,193	(59,372)	81,551	498,124	115,809	613,933
Profit for the period, representing total recognised expense for the period	–	–	–	–	–	–	–	59,220	59,220	(2,795)	56,425
Shares repurchased and cancelled	(5)	(143)	–	–	–	–	–	–	(148)	–	(148)
Exercise of share options	66	1,948	–	–	–	(479)	–	–	1,535	–	1,535
Placing of new shares	1,891	123,496	–	–	–	–	–	–	125,387	–	125,387
Transaction costs attributable to placing of new shares	–	(4,304)	–	–	–	–	–	–	(4,304)	–	(4,304)
At 31st December, 2007 (audited)	31,208	401,873	7,442	157,178	–	714	(59,372)	140,771	679,814	113,014	792,828
Profit for the period, representing total recognised income for the period	–	–	–	–	–	–	–	32,494	32,494	5,594	38,088
Shares repurchased and cancelled	(79)	(4,410)	–	–	–	–	–	–	(4,489)	–	(4,489)
Exercise of share options	196	2,085	–	–	–	(745)	–	–	1,536	–	1,536
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	21,981	21,981
Placing of new shares	1,797	89,598	–	–	–	–	–	–	91,395	–	91,395
Transaction cost attributable to placing of new shares	–	(1,824)	–	–	–	–	–	–	(1,824)	–	(1,824)
Recognition of equity-settled share-based payments	–	–	–	–	–	15,096	–	–	15,096	–	15,096
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(9,006)	(9,006)
Deemed contribution from immediate holding company	–	–	–	–	11,055	–	–	–	11,055	–	11,055
Transfer	–	–	10,866	–	–	–	–	(10,866)	–	–	–
At 30th June, 2008 (unaudited)	33,122	487,322	18,308	157,178	11,055	15,065	(59,372)	162,399	825,077	131,583	956,660

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2008

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.

The capital contribution represents deemed contribution arising from non-current interest free loan granted by the immediate holding company.

The other reserve represents the difference between the fair value and the book value of the mining rights attributable to the acquisition of the equity interests in the subsidiaries holding those mining rights.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30th June, 2008

	NOTE	Six months ended	
		30.6.2008 RMB'000 (unaudited)	30.6.2007 RMB'000 (unaudited)
Net cash from operating activities		95,601	67,424
Net cash used in investing activities			
Acquisition of subsidiaries	19	(193,617)	(7,492)
Acquisition of property, plant and equipment		(29,626)	(22,423)
Acquisition of additional interests in subsidiaries		—	(246,454)
Other investing activities		174	(4,589)
		(223,069)	(280,958)
Net cash from financing activities			
Proceeds on placing of new shares		91,395	—
Advance from immediate holding company		87,920	—
Proceeds from issue of shares upon exercise of share options		1,536	925
Repayment of promissory notes		(27,301)	(12,246)
Dividend paid to minority shareholders		(9,006)	(33,036)
Payment on repurchase of shares		(4,489)	(4,498)
Expenses on placing of new shares		(1,824)	—
Bank borrowings raised		—	349,200
Repayment of bank borrowings		—	(72,750)
Other financing activities		(7,118)	(15,298)
		131,113	212,297
Net increase (decrease) in cash and cash equivalents		3,645	(1,237)
Cash and cash equivalents at beginning of the period		128,952	102,094
Effect of foreign exchange rate changes		(1,068)	(2,868)
Cash and cash equivalents at end of the period		131,529	97,989

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 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 “Stock Exchange”) and with Hong Kong Accounting Standard (“HKAS”) 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.

Other than the adoption of the new Interpretations as discussed below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1st January, 2008.

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for HK(IFRIC)-Int 12, the adoption of the new Interpretations 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 recognised.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

The effects of adoption by the Group of HK(IFRIC)-Int 12 “Service Concession Arrangements”, which is effective for annual periods beginning on or after 1st January, 2008, are described below.

HK(IFRIC)-Int 12 provides guidance on the accounting by an operator of a service concession arrangement which involves the provision of public sector services. As a toll highway and bridge operator, the Group has access to operate the infrastructure to provide public service on behalf of the grantor in accordance with the terms specified in a service concession arrangement contract.

In prior periods, the Group’s toll highway and bridge infrastructure, which included construction costs incurred on toll highway and bridge infrastructure work which entitled the Group the operating rights of the toll highway and bridge for the specified concession period, were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the toll highway and bridge infrastructure was calculated to write off their cost, over their expected useful lives or the remaining concession period, whichever was shorter, commencing from the date of commencement of commercial operation based on the ratio of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is entitled to operate the toll highway and bridge.

In accordance with HK(IFRIC)-Int 12, infrastructure within the scope of this interpretation is not recognised as property, plant and equipment of the operator as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 “Construction Contracts” for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 “Intangible Assets” to the extent that the operator receives a right to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the revenue from provision of services in relation to the operation of the infrastructure in accordance with HKAS 18 “Revenue”.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

For the period beginning 1st January, 2008, as it is impracticable to apply this interpretation retrospectively, the Group has applied the transitional provisions given in the interpretation, and the financial impact on application of this interpretation is summarised below.

The effect of the changes in accounting policies described above on the results for the current and prior period by line items presented according to their function are as follows:

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Decrease in depreciation expense (included in direct operating costs)	(9,281)	(7,302)
Increase in amortisation expense (included in direct operating costs)	9,281	7,302
Increase/decrease in profit (loss) for the period	—	—

The effects of the application of the new Interpretation to the Group's balance sheet items as at 31st December, 2007 are summarised below:

	As at 31.12.2007 (originally stated) RMB'000	Adjustments RMB'000	As at 31.12.2007 (restated) RMB'000
<b>Balance sheet items</b>			
Property, plant and equipment	250,260	(117,416)	132,844
Other intangible assets	—	117,416	117,416
Total effects on assets	250,260	—	250,260
Accumulated profits, total effects on equity	—	—	—

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

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

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC)-Int 13	Customer Loyalty Programmes <sup>3</sup>
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate <sup>1</sup>
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st July, 2009

<sup>3</sup> Effective for annual periods beginning on or after 1st July, 2008

<sup>4</sup> Effective for annual periods beginning on or after 1st October, 2008

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 3. SEGMENT INFORMATION

### Business segments

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

- management and operation of toll highway and bridge (“Toll Road Operations”); and
- exploration, mining and processing of zinc, lead and iron (“Mining Operations”).

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

*Six months ended 30th June, 2008*

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	31,483	109,283	140,766
RESULTS			
Segment results	12,780	46,792	59,572
Unallocated corporate income			26,042
Unallocated corporate expenses			(24,906)
Interest expenses			(14,055)
Profit before tax			46,653
Income tax expense			(8,565)
Profit for the period			38,088

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 3. SEGMENT INFORMATION (continued)

### Business segments (continued)

Six months ended 30th June, 2007

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
<b>REVENUE</b>			
External sales	26,283	108,598	134,881
<b>RESULTS</b>			
Segment results	8,770	45,324	54,094
Unallocated corporate income			9,717
Discount on acquisition of additional interests in mining subsidiaries			17,942
Loss from fair value changes of convertible bonds' embedded derivatives			(71,504)
Unallocated corporate expenses			(6,914)
Interest expenses			(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, 2008

## 4. INTEREST EXPENSES

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Interest on:		
– bank borrowing wholly repayable within five years	5,116	2,115
– a loan from a minority shareholder wholly repayable within five years	–	95
Effective interest on:		
– promissory notes	5,212	2,128
– convertible bonds	–	3,027
Imputed interest on:		
– non-current loan from immediate holding company	2,229	–
– non-current consideration payable for acquisition of subsidiaries	1,498	–
	<b>14,055</b>	<b>7,365</b>

## 5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
PRC Enterprise Income Tax		
– current year	3,750	229
– underprovision in prior year	13	–
Deferred tax		
– current year (note 18)	4,802	(2,893)
– increase in deferred tax liabilities resulting from a change in tax rate enacted in March 2007	–	56,416
	<b>8,565</b>	<b>53,752</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 5. INCOME TAX EXPENSE (continued)

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

Zhen'an Country Daqian Mining Development Co., Ltd., Weng Niu Te Qi San Xiang Mining Co., Ltd., Weng Niu Te Qi Xiang Da Mining Co., Ltd. and Chi Feng Yi Da Mining Co., Ltd. were subject to PRC Enterprise Income Tax at a rate of 25% during the six months ended 30th June, 2008.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 18% for the period as it was qualified as an enterprise investing in public infrastructure projects in the PRC.

Pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC, the Company's other PRC subsidiaries enjoy a preferential tax rate of 15%. In addition, these PRC subsidiaries are entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax reduction in the three years thereafter. The first profit-making year of these PRC subsidiaries, other than Baoshan Feilong Nonferrous Mining Co., Ltd. ("Baoshan Feilong"), was 2007 and accordingly, they were within the tax exemption period and not subject to tax during the six months ended 30th June, 2008. The first profit-making year of Baoshan Feilong was 2006 and accordingly, it was within the tax reduction period and was subject to PRC Enterprise Income Tax at a rate of 7.5% during the six months ended 30th June, 2008.

The newly promulgated Enterprise Income Tax Law ("Tax Law") of the PRC are effective on 1st January, 2008. In February 2008, the Ministry of Finance and the State Administration of Taxation issued several important tax circulars which clarify the implementation of the Tax Law and have an impact on certain of the Company's PRC subsidiaries. For those PRC subsidiaries situated in the western region of the PRC, which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of a tax reductions and exemptions, will continue to enjoy the preferential tax rate of 15% until 2010. For Langfang Tongda, which previously enjoyed the preferential tax policies in the form of a reduced tax rate, will have a five-year period from the time when the Tax Law took effect to transition progressively to the legally prescribed tax rate. Langfang Tongda was subject to the 18% tax rate from 1st January, 2008, and will be subject to the 20% tax rate for the financial year 2009, 22% tax rate for the financial year 2010, 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 6. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Profit (loss) for the period has been arrived at after charging:		
Amortisation of mining rights (included in cost of sales)	<b>11,876</b>	10,404
Amortisation of other intangible assets (included in direct operating costs)	<b>9,281</b>	7,302
Cost of inventories sold	<b>53,039</b>	54,533
Depreciation of property, plant and equipment	<b>11,367</b>	7,526
Loss on disposal of property, plant and equipment	<b>28</b>	15
Release of prepaid lease payments	<b>106</b>	46
Share-based payments	<b>15,096</b>	644
And after crediting (in other income):		
Net exchange gain	<b>25,757</b>	9,403
Interest income	<b>285</b>	314

## 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, 2008

## 8. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
<b>Earnings (loss)</b>		
Profit (loss) for the period attributable to equity holders of the Company and earnings (loss) for the purposes of basic and diluted earnings (loss) per share	<b>32,494</b>	(51,649)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>314,171,002</b>	251,183,967
Effect of dilutive potential ordinary shares — share options	<b>1,236,042</b>	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>315,407,044</b>	

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.

## 9. PROPERTY, PLANT AND EQUIPMENT/OTHER INTANGIBLE ASSETS

In the current period, the Group has applied HK(IFRIC)-Int 12 "Service Concession Arrangements" retrospectively and accordingly, the Group's toll highway and bridge infrastructure with a carrying value of RMB117,416,000 as at 31st December, 2007 that had previously been recognised as property, plant and equipment was derecognised from that category of assets and reclassified as other intangible assets retrospectively. The financial impact on application of this interpretation is summarised in note 2.

In addition, the Group spent RMB29,626,000 on the acquisition of property, plant and equipment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 10. MINING RIGHTS

	RMB'000
<b>COST</b>	
At 1st January, 2008	1,112,498
Acquired on acquisition of subsidiaries	282,988
At 30th June, 2008	1,395,486
<b>AMORTISATION</b>	
At 1st January, 2008	30,545
Charge for the period	11,876
At 30th June, 2008	42,421
<b>CARRYING VALUE</b>	
At 30th June, 2008	1,353,065
At 31st December, 2007	1,081,953

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of two to eight years. Other than a mining right in Zhen'an county in the PRC (the "Zhen'an Mining Right") with a carrying value at 30th June, 2008 of RMB150,807,000 which officially expired in June 2008, the Group's mining rights will expire in two to six years from 30th June, 2008. In the opinion of the directors, the Group will be able to renew the mining rights with the relevant government authorities continuously at minimal charges.

Up to the date of this report, the application of renewal of Zhen'an Mining Right is still in progress. The directors are of the opinion that such approval will be granted to the Group in due course.

The mining rights are amortised over a period between nine to twenty-five years using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 11. TRADE AND OTHER RECEIVABLES

	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>2,304</b>	200
Deposits and prepayments	<b>16,519</b>	10,880
Other receivables	<b>5,461</b>	2,777
	<b>24,284</b>	13,857

The Group allows an average credit period of 60 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
0 – 30 days	<b>2,304</b>	–
31 – 180 days	–	–
181 – 360 days	–	200
	<b>2,304</b>	200

## 12. AMOUNTS DUE FROM/TO RELATED PARTIES

	<b>Due from</b>	
	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
Mr. Yang Long and his affiliates (Note i) Langfang Municipal Communications Bureau (“Langfang Bureau”) and its affiliate (Note ii)	<b>13,566</b>	17,420
	–	5,215
	<b>13,566</b>	22,635

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 12. AMOUNTS DUE FROM/TO RELATED PARTIES (continued)

The Group allows an average credit period of 60 days to its related parties. The following is an aged analysis of amounts due from related parties, which are principally trading in nature, at the balance sheet date:

	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
0 – 30 days	<b>11,702</b>	19,700
31 – 60 days	<b>1,864</b>	2,935
	<b>13,566</b>	22,635

	<b>Due to</b>	
	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
Mr. Yang Long and his affiliates	<b>8,983</b>	3,599
Langfang Bureau and its affiliate	<b>5,270</b>	2,632
	<b>14,253</b>	6,231

The amounts due to related parties are principally trading in nature and aged within 60 days.

Notes:

- (i) Mr. Yang Long, a shareholder of the Company, is the minority shareholder of the Company's mining subsidiary, Baoshan Feilong.
- (ii) Langfang Bureau is the minority shareholder with 49% equity interest of the Company's toll highway and bridge subsidiary, Langfang Tongda.
- (iii) All the above amounts are unsecured, interest-free and repayable on demand.

## 13. TRADE AND OTHER PAYABLES

	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
Trade payables	<b>1,494</b>	476
Receipts in advance	<b>12,426</b>	—
Accruals	<b>10,386</b>	11,623
Other payables	<b>28,288</b>	26,435
	<b>52,594</b>	38,534

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 13. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables at the balance sheet date:

	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
0 – 60 days	<b>1,152</b>	476
61 – 180 days	<b>310</b>	—
181 – 360 days	<b>32</b>	—
	<b>1,494</b>	<b>476</b>

## 14. PROMISSORY NOTES

The promissory notes are unsecured, interest-bearing at a coupon rate of 3.5% (2007: 3.5%) per annum and are repayable on the following terms:

	<b>At</b>	At
	<b>30.6.2008</b>	31.12.2007
	<b>RMB'000</b>	RMB'000
Carrying amount repayable:		
Within one year	<b>68,271</b>	68,716
More than one year, but not exceeding two years	<b>23,145</b>	53,384
	<b>91,416</b>	122,100
Less: Amounts due within one year shown under current liabilities	<b>(68,271)</b>	(68,716)
	<b>23,145</b>	53,384

The fair values of the promissory notes on their initial recognition were determined using cash flows discounted at an effective interest rate of 9%.

The promissory notes were issued to Feilong Holdings Limited, a company beneficially owned by Mr. Yang Long.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 15. 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, 2008 and 30th June, 2008	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2008	304,231,333	30,423	31,208
Shares repurchased and cancelled	(862,000)	(86)	(79)
Exercise of share options	2,200,000	220	196
Placing of new shares	20,000,000	2,000	1,797
At 30th June, 2008	325,569,333	32,557	33,122

Pursuant to a placing and subscription agreement dated 19th March, 2008, the Company placed 20 million shares of the Company at a price of HK\$5.00 per share. The placement was made to independent investors. The placing price represented neither discount to, nor premium over, the closing price of HK\$5.00 per share as quoted on the Stock Exchange on 18th March, 2008, being the date on which the terms of the placing and subscription were fixed.

## 16. LOAN FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on 30th September, 2009. The amount was initially recognised at a fair value of RMB76,865,000, determined using cash flows discounted at an effective interest rate of 8.7%. A difference of RMB11,055,000 between the nominal value and the fair value of the loan on its inception date was recognised as a deemed capital contribution from the immediate holding company.

## 17. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is unsecured, interest-free and repayable on 30th September, 2009. The amount was initially recognised at a fair value of RMB68,877,000, determined using cash flows discounted at an effective interest rate of 8.7%. The difference of RMB9,351,000 between the nominal value and the fair value of the consideration payable on its inception date is reflected in the determination of the amount of the purchase consideration for acquisition of subsidiaries as detailed in note 19.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 18. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on mining rights RMB'000	Accelerated tax depreciation RMB'000	Dividends withholding tax RMB'000	Total RMB'000
At 1st January, 2008	228,911	6,668	—	235,579
Acquisition of subsidiaries	65,778	—	—	65,778
(Credit) charge to income statement for the period	(969)	413	5,358	4,802
At 30th June, 2008	293,720	7,081	5,358	306,159

Pursuant to the Tax Law, withholding tax will be imposed on dividends to foreign investors out of the profits of PRC companies earned from 1st January, 2008 onwards. The withholding tax rate applicable to the Group is 10% and deferred tax has been provided on the undistributed profits of the PRC subsidiaries accordingly.

## 19. ACQUISITION OF SUBSIDIARIES

On 18th November, 2007, the Group entered into a conditional agreement with an independent third party, pursuant to which the Group agreed to acquire 90.1% of the issued share capital of three companies together with their shareholders' loans for a consideration at fair value on the date of acquisition being completed of approximately RMB263 million. The principal activities of the acquired companies' subsidiaries are mining and processing of zinc and lead.

The consideration was satisfied as to (i) RMB191 million in cash through internal resources and (ii) the remaining balance as deferred consideration payable by the Company at fair value on the date of acquisition being completed amounting to approximately RMB69 million due on 30th September, 2009.

The acquisition was completed on 31st March, 2008, which was also the date on which the Group effectively obtained control of the acquired subsidiaries.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 19. ACQUISITION OF SUBSIDIARIES (continued)

The fair values of the identifiable assets and liabilities of the subsidiaries acquired by the Group during the six months ended 30th June, 2008 were as follows:

	Acquirees' carrying amounts		Fair values RMB'000
	before combination RMB'000	Fair value adjustments RMB'000	
Net assets acquired:			
Property, plant and equipment	59,591	—	59,591
Mining rights	19,875	263,113	282,988
Inventories	2,880	—	2,880
Trade and other receivables	18,832	—	18,832
Bank balances and cash	550	—	550
Trade and other payables	(13,880)	—	(13,880)
Amounts due to related parties	(62,987)	—	(62,987)
Taxation payable	(158)	—	(158)
Deferred tax liabilities	—	(65,778)	(65,778)
<b>Fair value of net assets</b>	<b>24,703</b>	<b>197,335</b>	<b>222,038</b>
Minority interests			(21,981)
Assignment to the Group of amounts due to related parties			62,987
			<b>263,044</b>
Consideration:			
Cash paid			191,202
Consideration payable			68,877
Directly attributable costs			2,965
			<b>263,044</b>
Net cash outflow arising on acquisition:			
Cash consideration paid			194,167
Bank balances and cash acquired			(550)
			<b>193,617</b>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 19. ACQUISITION OF SUBSIDIARIES (continued)

The fair values of the mining rights acquired by the Group were determined on the basis of the Income Approach using the discounted cash flow analysis. An independent valuation has been performed by LCH (Asia-Pacific) Surveyors Limited to determine the fair values of the mining rights. The effective date of the valuation is 31st March, 2008. That calculation uses cash flow projections, based on financial budget approved by management covering a five-year period during the useful life of the mining rights, and a discount rate of 22.9%. The key assumptions for the fair value calculations relate to the estimated mine reserves in the technical report and the estimated prices of mineral resources by reference to current market condition.

The subsidiaries acquired during the period ended 30th June, 2008 contributed RMB803,000 to the Group's revenue and a loss of RMB2,998,000 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, 2008, Group's revenue for the period would have been RMB143,494,000, and Group's profit for the period would have been RMB33,633,000. The pro forma information is for illustration purposes only and is not necessarily an indication of revenue and results of the operation of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2008, nor is it intended to be a projection of future results.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 20. 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	2,650,000
Granted during the period	12,300,000
Exercised during the period	(2,200,000)
Forfeited during the period	(450,000)
<b>Outstanding at the end of the period</b>	<b>12,300,000</b>

On 25th May, 2008, 12,300,000 options were granted and vested immediately. The estimated fair value of the options granted on this date is HK\$16,937,000 (equivalent to RMB15,096,000).

The fair value was calculated using the Black-Scholes model. The inputs into the model were as follows:

Grant date share price	HK\$4.89
Exercise price	HK\$4.85
Expected life	2.36 years
Expected volatility	55.91%
Risk-free interest rate	2.22%
Dividend yield	4.00%

Expected volatility was determined by using the historical volatility of the Company's share price over the past 250 days to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The value of an option varies with different variables of certain subjective assumptions.

The closing price of the Company's shares immediately before the date of grant was HK\$4.89.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 20. SHARE-BASED PAYMENTS (continued)

The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised during the six months ended 30th June, 2008 was HK\$4.99.

The Group recognised a total expense of HK\$16,937,000 (equivalent to RMB15,096,000) for the six months ended 30th June, 2008 (six months ended 30th June, 2007: RMB644,000) in relation to share options granted by the Company.

## 21. CONNECTED AND RELATED PARTY DISCLOSURES

During the six months ended 30th June, 2008, the Group had the following transactions and balances with connected and related parties:

### (i) Connected and related parties

#### (a) Transactions with Mr. Yang Long and his affiliates

Nature of transactions	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Purchase of materials by the Group	2,256	6,072
Sale of finished goods by the Group	70,223	88,185
Subcontracting fee paid by the Group	1,864	4,546
Interest charged to the Group	5,212	2,128
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, 2008

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

### (i) Connected and related parties (continued)

#### (b) *Transactions with Langfang Bureau and its affiliate*

During the period, the Group paid repairs and maintenance charges of RMB4,971,000 (six months ended 30th June, 2007: RMB4,150,000) to Langfang Bureau and its affiliate.

Pursuant to the agreement between the Group, Langfang Bureau and its affiliate, 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) *Transactions with a fellow subsidiary*

During the period, the Group paid rentals of RMB1,324,000 (six months ended 30th June, 2007: RMB430,000) to a fellow subsidiary in respect of office premises and staff quarters. The rentals were charged in accordance with the relevant tenancy agreements.

#### (d) *Details of the Group's outstanding balances with connected and related parties are set out in notes 12, 14 and 16.*

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 21. CONNECTED AND RELATED PARTY DISCLOSURES (continued)

### (ii) Related parties

#### (a) 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-Controlled Entities”). In addition, the Group itself is part of a larger group of companies under Jiangsu Yue Da Group Company Limited which is controlled by the supervision of the Yancheng Municipal People’s Government. Apart from the transactions with the related parties disclosed in (i) above, the Group also has normal banking transactions with state-owned banks and conducts business with other State-Controlled 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-Controlled Entities, the directors are of the opinion that it is impracticable and of no real value to ascertain the identity of, and the quantum of transactions with the counterparties.

#### (b) Compensation of key management personnel

The remuneration of key management during the period, which is determined by the remuneration committee having regard to the performance of individuals and market trends, is as follows:

	Six months ended	
	30.6.2008 RMB'000	30.6.2007 RMB'000
Short-term benefits	2,327	1,523
Post-employment benefits	55	24
Share-based payments	6,259	—
	<b>8,641</b>	1,547

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2008

## 22. CAPITAL COMMITMENTS

	<b>At 30.6.2008 RMB'000</b>	At 31.12.2007 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<b>1,037</b>	2,186

On 18th November, 2007, the Group entered into a conditional agreement to acquire further mining interest in the PRC for a consideration of approximately HK\$830 million, subject to fulfilment of conditions precedents as set out in the relevant acquisition agreement. The acquisition was approved by shareholders at an extraordinary general meeting of the Company on 22nd February, 2008. Further details of the acquisition are set out in the Company's circular dated 5th February, 2008. Up to the date of this report, the acquisition has not been completed.

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

Turnover of the Group for the Period amounted to RMB140,766,000, which represented an increase of approximately 4% over RMB134,881,000 in the corresponding period of last year. Gross operating profit amounted to RMB70,967,000, representing an approximate 8% increase as compared to RMB65,424,000 in the corresponding period of last year. The profit attributable to the equity holders of the Company was RMB32,494,000 and basic earnings per share amounted to RMB10.3 cents.

Share-based payments of RMB15,096,000 (non-cash expense) was incurred due to the grant of 12,300,000 employee share options during the Period. Excluding such one-off non-cash expense, the profit attributable to the equity holders of the Company would have been RMB47,590,000 during the Period.

In addition, pursuant to the new Tax Law, some members of the Group became liable to additional 10% dividend withholding income tax of RMB5,358,000, which resulted in a reduction of the profit attributable to the equity holders of the Company of RMB5,358,000 during the Period.

During the corresponding period of last year, the loss attributable to the equity holders of the Company was RMB51,649,000 and the basic loss per share was RMB20.6 cents.

## INTERIM DIVIDEND

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

## 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 Group experienced a very difficult macroeconomic environment ever since its transition to engage principally in mining business. Zinc ore concentrates, one of the major products of the Group, saw a relatively large degree of drop in prices during the Period. However, the Group still managed to achieve certain growth in the revenue of its mining operations as compared to the corresponding period of last year, which was mainly attributable to the increase in production volume. During the Period, the mining operations realised an operating revenue of RMB109,283,000 with an operating profit of RMB58,668,000, which represented a segment profit of RMB46,792,000 for the mining operations after deducting the amortisation charges of mining rights of RMB11,876,000.

# Management Discussion and Analysis

During the Period, the toll road operations of the Group recorded an operating revenue of RMB31,483,000 and a segment profit of RMB12,780,000, representing a significant growth from those in the corresponding period of last year.

## Mining Business

During the Period, the mining business of the Group recorded an operating revenue of RMB109,283,000 (corresponding period of last year: RMB108,598,000) with a gross profit of RMB57,263,000 (corresponding period of last year: RMB64,372,000) and gross profit margin of approximately 52% (corresponding period of last year: 59%). As described above, the decreases in gross profit and gross profit margin were mainly attributable to the decline in selling prices of certain mineral products.

The ores extracted during the Period amounted to 342,579 tons, representing an increase of 27% over 270,524 tons in the corresponding period of last year, with a unit mining cost of approximately RMB92 per ton (corresponding period of last year: RMB66) and a unit processing cost of approximately RMB101 per ton (corresponding period of last year: RMB98). The mining and processing cost increased as compared to the corresponding period of last year.

During the Period, processing volume of zinc ore concentrates amounted to 4,894 metal tons (corresponding period of last year: 3,822 metal tons), lead ore concentrates to 2,071 metal tons (corresponding period of last year: 1,437 metal tons), silver to 2,624 kilograms (corresponding period of last year: 951 kilograms) and iron ore concentrates to 61,543 tons (corresponding period of last year: 52,290 tons). Each product experienced an increase in production volume.

During the Period, metal ore concentrates were sold at an average price of RMB9,743 per metal ton for zinc ore concentrates (corresponding period of last year: RMB20,348), RMB19,575 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB14,398), and RMB714 per ton for iron ore concentrates (corresponding period of last year: RMB532). During the Period, the price of zinc ore concentrates dropped significantly while the prices of the other products rose.

During the Period, in response to the rapid drop in prices of lead and zinc metals from the highs against the significant rise in the price of iron ores, the Group adjusted its production mix by enhancing the production management and capacity expansion and renovation of Tengchong Iron Mine. The capacity expansion and renovation project in relation to the addition of daily ore processing capacity of 1,000 tons for Tengchong processing plant was basically completed in September 2008 while normal production was maintained. The newly explored mine No.10 has commenced production and the production scale of its stope is gradually expanding.



# Management Discussion and Analysis

Mine exploration and technical innovation works were carried out in the lead and zinc mines in Baoshan and Yaoan to further enhance their production and profitability potentials while maintaining their stable production. During the exploration and production process in the Hetaoping mine in Baoshan, a large high-grade ore body and other ore bodies including copper and iron were recently discovered, which would boost to a large extent the future profitability of the Company.

Following the taking up by our Group of the management of the newly acquired lead and zinc mines in Weng Qi, Inner Mongolia and Daqian, Shaanxi, efforts were placed on the optimization and renovation of the original processing works and the construction of new processing plants. Currently, production and construction works are actively in progress. In light of the changes in the lead and zinc markets, timely adjustments were made to the construction plan for the new processing plant of the lead and zinc mines in Daqian, Shaanxi. The design and construction work of the first phase is currently in progress. Weng Qi acquisition was completed on 31st March, 2008. For the delay in completion of the Hong Ling transactions due to reasons of the vendor as well as the current changes in the metals market, the Company has been negotiating with the vendor in respect of the consideration for the acquisition so as to strive for a reduction in the cost of acquisition as compared to the original price. As at the date of this report, the Company has not signed any supplementary agreements in this regard. If such negotiations lead to the signing of a supplementary agreement, the Company will make timely disclosure in accordance with the requirements of the Listing Rules (if applicable).

## Toll Road Operations

Wen An Section of the National Highway 106 in Hebei Province (the “Wen An Section”) is located in Langfang, Hebei, which is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) reached 18,850 during the Period (corresponding period of last year: 15,233) while the operating revenue achieved RMB31,483,000, which represented an approximately 20% increase over RMB26,283,000 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 effectively 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.

# Management Discussion and Analysis

## BUSINESS PROSPECTS

Despite the decline seen in the current overall economy and the downturn in the non-ferrous metals industry, the Group is still confident in continuously creating value for shareholders. Looking ahead, the Group will seek opportunities to further increase its mineral reserves, to flexibly adjust its product portfolio (such as iron, lead, zinc, silver and copper) in response to market changes and to appropriately expand its production scale. The Group expects larger improvement in the operational performance in the second half and in future periods, mainly because:

1. The mines owned by the Group possess abundant mineral resources. After more than two years of efforts, each company has established a professional team of talents experienced in the operation management of metal mines and perfected various production organisation and management systems and regulatory systems, resulting in a significant improvement of the production operations level.
2. The Group is committed to raising production capacity of its existing mines and enhancing its exploration and mining efforts in its mining sites. The rich high-grade mines discovered in Baoshan mining site this year further enhanced the development potential of the relevant mine.
3. In light of the current changes in the metals market, the Group is also strengthening the comprehensive recovery of mineral resources. Certain progress has been achieved in trial processes such as the separation of copper and iron, and analysis and pilot processing of some newly discovered high value rare metals are in progress.
4. The capacity expansion and renovation of Tengchong mine of the Group is near the completion stage (construction of the processing plant has been completed). With the expectation that the production capacity will double as compared to the original levels, coupled with the iron ore price hike since the beginning of this year, it is forecast that Tengchong Company will bring more profit contributions to the Group.
5. Although the Company did not expect Hong Ling transactions to be completed by the end of September 2008, the Group is endeavouring to complete the acquisition of the project as soon as possible. Due to the large scale and high grade nature of the project, it is expected that completion of its acquisition is greatly beneficial to the Group.

## Management Discussion and Analysis

- By capitalising on the opportunities of lower expectations on the market assessment of mining projects created by the recent downturn in the base metals market, the Group will proactively identify attractive investment projects. In the future, the Group will continue to look for opportunities to invest in suitably priced metals mining projects with rich reserves and high yields in order to expand its own investment portfolio.

### LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2008, the Group's non-current assets were RMB1,683,690,000. Its current assets amounted to RMB206,547,000, of which bank deposits and cash accounted for RMB131,529,000. The Group's total current liabilities were RMB203,133,000 and its total non-current liabilities were RMB730,444,000, which included deferred tax liabilities of RMB306,159,000. The Group's total shareholders' equity amounted to RMB825,077,000 and its minority interests were RMB131,583,000, with a gearing ratio (total liabilities over total assets) of approximately 49%. This ratio was lowered when compared to 54% in the corresponding period of last year.

As at 30th June, 2008, except for the guarantees and charges in the amount of HK\$360,000,000 given to Industrial and Commercial Bank of China (Asia) Limited, the Group 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 also recorded some exchange gains 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, 2008, 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:

<b>Name</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
Hu You Lin	The Company	Beneficial owner	3,960,000 ordinary Shares (L)	1.22%
	The Company	Beneficial owner	1,800,000 ordinary Shares (L) (Note 2)	0.55%
Dong Li Yong	The Company	Beneficial owner	1,818,000 ordinary Shares (L)	0.56%
	The Company	Beneficial owner	900,000 ordinary Shares (L) (Note 3)	0.28%
Liu Xiao Guang	The Company	Beneficial owner	600,000 ordinary Shares (L) (Note 4)	0.18%
Qi Guang Ya	The Company	Beneficial owner	600,000 ordinary Shares (L) (Note 5)	0.18%

## Other Information

### Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.
2. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to Mr Hu You Lin on 25th May, 2008 under the share option scheme of the Company. These options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$4.85 per Share during the period from 25th May, 2008 to 24th May, 2018.
3. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to Mr Dong Li Yong on 25th May, 2008 under the share option scheme of the Company. These options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$4.85 per Share during the period from 25th May, 2008 to 24th May, 2018.
4. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to Mr Liu Xiao Guang on 25th May, 2008 under the share option scheme of the Company. These options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$4.85 per Share during the period from 25th May, 2008 to 24th May, 2018.
5. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to Mr Qi Guang Ya on 25th May, 2008 under the share option scheme of the Company. These options, all of which remained exercisable as at the Latest Practicable Date, were exercisable at the subscription price of HK\$4.85 per Share during the period from 25th May, 2008 to 24th May, 2018.

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, 2008, 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:

<b>Name of the Shareholder</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
Yue Da Group (H.K.) Co., Limited	The Company	Beneficial owner	125,829,586 ordinary Shares (L)	38.65%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	125,829,586 ordinary Shares (L) (Note 2)	38.65%
Feilong Holdings Limited	The Company	Beneficial owner	33,333,333 ordinary Shares (L)	10.24% (Note 3)
Mr Yang	The Company	Interest of a controlled corporation	33,333,333 ordinary Shares (L)	10.24% (Note 3)
Pure Talent Investments Limited	The Company	Interest of a controlled corporation	33,333,333 ordinary Shares (L)	10.24% (Note 3)
Keywise Capital Management (HK) Limited	The Company	Investment manager	33,609,000 ordinary Shares (L)	10.32%
Keywise Greater China Opportunities Master Fund	The Company	Investment manager	21,275,000 ordinary Shares (L)	6.53%

## Other Information

<b>Name of the Shareholder</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
DnB NOR Asset Management (Asia) Limited	The Company	Investment manager	20,486,000 ordinary Shares (L)	6.29%
Cheah Cheng Hye	The Company	Founder of a discretionary trust (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%
To Hau Yin	The Company	Interest of spouse of a substantial shareholder (i.e. Cheah Cheng Hye) (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%
Hang Seng Bank Trustee International Limited (as trustee of The C H Cheah Family Trust)	The Company	Trustee (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%
Cheah Company Limited	The Company	Interest of controlled corporation (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%
Cheah Capital Management Limited	The Company	Interest of controlled corporation (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%

## Other Information

<b>Name of the Shareholder</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number and class of securities (Note 1)</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
Value Partners Group Limited	The Company	Interest of controlled corporation (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%
Value Partners Limited	The Company	Investment manager (Note 4)	29,127,000 ordinary Shares (L)	8.95%
			6,070,586 ordinary Shares (S)	1.86%

### Notes:

1. The letter "L" represents the entity's long position in the Shares. The letter "S" represents the entity's short position in the Shares.
2. These Shares are registered in the name of Yue Da Group (H.K.) Co., Limited. Jiangsu Yue Da Group Company Limited holds the entire issued share capital of Yue Da Group (H.K.) Co., Limited.
3. Mr Yang holds 100% interest in Pure Talent Investments Limited which in turn holds 100% interest in Feilong Holdings Limited.
4. These Shares are held by Value Partners Limited as investment manager. Value Partners Limited is wholly controlled by Value Partners Group Limited, which in turn is controlled as to 35.65% by Cheah Capital Management Limited. Cheah Capital Management Limited is wholly controlled by Cheah Company Limited, which in turn is wholly controlled by Hang Seng Bank Trustee International Limited (as trustee of The C H Cheah Family Trust). Cheah Cheng Hye is the founder of the said trust while To Hau Yin is the spouse of Cheah Cheng Hye.

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, 2008	Closing price per share immediately before the date of grant HK\$
<i>Directors of the Company:</i>					
Mr. Hu You Lin	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	1,800,000	4.85
Mr. Dong Li Yong	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	900,000	4.85
Mr. Liu Xiao Guang	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	600,000	4.85
Mr. Qi Guang Ya	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	600,000	4.85
Total				3,900,000	
<i>Other employees of the Company:</i>					
In aggregate	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	4,800,000	4.85
<i>Other employees of the subsidiary</i>					
In aggregate	5th May, 2008	25th May, 2008 to 24th May, 2018	4.85	3,600,000	4.85
Total				12,300,000	

Note: The date 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) was 5th May, 2008. The commencement date of the exercisable period set out in the above table is the date of acceptance of the offers by the respective participants, while the expiry date is the date of expiry (i.e. 24th May, 2018) of a 10-year period from the date of grant as provided under the Scheme.

## Other Information

During the Period, the Directors of the Company exercised options to subscribe for a total of 1,980,000 Shares at an exercise price of HK\$0.53 per Share and the employees of the Company exercised options to subscribe for a total of 220,000 Shares at an exercise price of HK\$3.00 per Share, while options to subscribe for 450,000 Shares were cancelled.

During the Period, Options to subscribe for 1,230,000 Shares were granted to employees of the Company. The exercise period of these options were from 25th August, 2008 to 24th August, 2018, exercise price per Share is HK\$4.85. The closing price of the Shares immediately before the date on which their option were granted were HK\$4.85 per Share.

### EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2008, the Group had a total of approximately 2,467 employees in Hong Kong and the PRC, who were engaged 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 PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes were 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.

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

In January 2008, the Company repurchased 862,000 ordinary shares of the Company at prices ranging from HK\$6.19 per Share (being the highest) to HK\$4.95 (being the lowest), with an average price of approximately HK\$5.68 per Share, and the aggregate amount paid was HK\$4,894,470. These shares were all repurchased through The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Apart from that, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares of the Company during the Period.

### THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group complied with 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 other engagement, which constitutes deviation from code provision E.1.2 of the Code on Corporate Governance Practices, but one of the executive directors of the Company was present to chair such meeting.

## Other Information

### 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.

### AUDIT COMMITTEE

The Company’s audit committee currently comprises Mr. Cai Chuan Bing, Ms. Leung Mei Han (both being independent non-executive directors) and Mr. Qi Guang Ya (being a non-executive director). Its duties include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. The audit committee reviewed the accounting principles and practices adopted by the Group and the unaudited interim results, 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 currently Mr. Cui Shu Ming, 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, which reviewed and discussed the related matters of the remuneration policy, remuneration levels and the remuneration of executive directors.

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

<b>Executive directors</b>	<b>Non-executive directors</b>	<b>Independent non-executive directors</b>
Hu You Lin	Liu Xiao Guang	Cai Chuan Bing
Dong Li Yong	Qi Guang Ya	Leung Mei Han
		Cui Shu Ming
		Han Run Sheng

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

Hong Kong, 19th September, 2008