



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

Stock Code : 629

## Interim Report 2009



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2009

	NOTES	Six months ended	
		30.6.2009 RMB'000 (unaudited)	30.6.2008 RMB'000 (unaudited)
Revenue	3	<b>86,140</b>	140,766
Cost of sales		<b>(59,625)</b>	(53,039)
Direct operating costs		<b>(18,172)</b>	(16,760)
Gross profit		<b>8,343</b>	70,967
Other income, gains and losses		<b>3,739</b>	28,725
Administrative expenses		<b>(25,089)</b>	(38,984)
Interest expense	4	<b>(14,177)</b>	(14,055)
(Loss) profit before tax		<b>(27,184)</b>	46,653
Income tax expense	5	<b>(2,619)</b>	(8,565)
(Loss) profit and total comprehensive (expense) income for the period	6	<b>(29,803)</b>	38,088
(Loss) profit and total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		<b>(32,010)</b>	32,494
– Minority interests		<b>2,207</b>	5,594
		<b>(29,803)</b>	38,088
(Loss) earnings per share			
– Basic	8	<b>(9.8) RMB cents</b>	10.3 RMB cents
– Diluted		–	10.3 RMB cents

# Condensed Consolidated Statement of Financial Position

At 30th June, 2009

	NOTES	<b>30.6.2009</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2008 RMB'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>182,668</b>	179,880
Prepaid lease payments		<b>2,659</b>	2,884
Mining rights	10	<b>1,153,635</b>	1,158,096
Goodwill		<b>482</b>	482
Other intangible assets	11	<b>90,178</b>	100,824
Long term deposits		<b>4,689</b>	3,525
Other financial asset	12	<b>27,375</b>	26,921
		<b>1,461,686</b>	1,472,612
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>208</b>	232
Inventories		<b>20,341</b>	20,720
Trade and other receivables	13	<b>21,350</b>	18,196
Amounts due from related companies	14	<b>37,896</b>	17,053
Bank balances and cash		<b>97,397</b>	128,856
		<b>177,192</b>	185,057
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	<b>37,525</b>	42,101
Amounts due to related companies	14	<b>5,623</b>	5,168
Amounts due to directors		<b>352</b>	352
Taxation payable		<b>2,732</b>	1,539
Promissory notes			
— due within one year	16	<b>8,695</b>	8,320
Bank borrowings			
— due within one year		<b>40,000</b>	53,465
Consideration payable for acquisition of subsidiaries	17	<b>76,854</b>	73,774
		<b>171,781</b>	184,719
<b>NET CURRENT ASSETS</b>		<b>5,411</b>	338
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,467,097</b>	1,472,950

# Condensed Consolidated Statement of Financial Position

At 30th June, 2009

	NOTES	<b>30.6.2009</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2008 RMB'000 (audited)
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>33,122</b>	33,122
Share premium and reserves		<b>518,329</b>	530,928
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
		<b>551,451</b>	564,050
<b>MINORITY INTERESTS</b>			
		<b>122,690</b>	127,005
<b>TOTAL EQUITY</b>			
		<b>674,141</b>	691,055
<b>NON-CURRENT LIABILITIES</b>			
Other payables	15	<b>21,647</b>	21,266
Amounts due to related companies	14	<b>102,751</b>	62,961
Promissory notes			
— due after one year	16	<b>77,800</b>	74,554
Bank borrowings			
— due after one year		<b>287,325</b>	319,924
Provisions		<b>1,884</b>	1,862
Deferred tax liabilities		<b>266,923</b>	265,946
Deferred income	18	<b>34,626</b>	35,382
		<b>792,956</b>	781,895
		<b>1,467,097</b>	1,472,950

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2009

	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Retained profits (accumulated losses)	Attributable to owners		Total equity
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000	RMB'000 (note iv)	RMB'000	RMB'000 of the Company	RMB'000 Minority interests	RMB'000
At 1st January, 2008 (audited)	31,208	401,873	7,442	157,178	—	714	(59,372)	140,771	679,814	113,014	792,828
Profit and total comprehensive 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 a shareholder	—	—	—	—	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
At 1st January, 2009 (audited)	33,122	487,322	21,477	157,178	22,722	15,065	(59,372)	(113,464)	564,050	127,005	691,055
(Loss) profit and total comprehensive (expense) income for the period	—	—	—	—	—	—	—	(32,010)	(32,010)	2,207	(29,803)
Release of non-distributable reserves upon disposal of subsidiaries	—	—	(802)	—	—	—	—	802	—	—	—
Deemed contribution from the ultimate holding company	—	—	—	—	16,853	—	—	—	16,853	—	16,853
Forfeiture of share options	—	—	—	—	—	(2,682)	—	2,682	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	—	2,558	—	—	2,558	—	2,558
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	(6,522)	(6,522)
At 30th June, 2009 (unaudited)	33,122	487,322	20,675	157,178	39,575	14,941	(59,372)	(141,990)	551,451	122,690	674,141

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2009

notes:

- (i) 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.
- (ii) 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.
- (iii) The capital contribution represents deemed contribution from a shareholder and the ultimate holding company arising from:
  - (a) non-current interest-free loan granted by a shareholder; and
  - (b) non-current interest-free loan granted by a fellow subsidiary, Yue Da Enterprise (Group) HK Co. Ltd. ("Yue Da Enterprise"). During the current period, the difference of RMB16,853,000 between the nominal value and the fair value of the non-current interest-free loan from Yue Da Enterprise, on the inception date, was recognised as a deemed contribution from Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") which is the ultimate holding company of the Company and Yue Da Enterprise. Details of this are set out in note 14(iv).
- (iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interest acquired.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2009

	NOTE	Six months ended	
		30.6.2009 RMB'000 (unaudited)	30.6.2008 RMB'000 (unaudited)
Net cash from operating activities		<b>37,415</b>	95,601
Net cash (used in) from investing activities			
Acquisition of property, plant and equipment		<b>(17,758)</b>	(29,626)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	19	<b>5,920</b>	—
Acquisition of subsidiaries		—	(193,617)
Other investing activities		<b>249</b>	174
		<b>(11,589)</b>	(223,069)
Net cash (used in) from financing activities			
Repayment of bank borrowings		<b>(85,968)</b>	—
Dividend paid to minority shareholders		<b>(6,522)</b>	(9,006)
Other financing activities		<b>(4,604)</b>	(7,118)
Bank borrowings raised		<b>40,000</b>	—
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
Repayment of promissory notes		—	(27,301)
Payment on repurchase of shares		—	(4,489)
Expenses on placing of new shares		—	(1,824)
		<b>(57,094)</b>	131,113
Net (decrease) increase in cash and cash equivalents		<b>(31,268)</b>	3,645
Cash and cash equivalents at beginning of the period		<b>128,856</b>	128,952
Effect of foreign exchange rate changes		<b>(191)</b>	(1,068)
Cash and cash equivalents at end of the period, represented by bank balances and cash		<b>97,397</b>	131,529

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 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 (“HKAS”) 34 Interim Financial Reporting.

In preparing the condensed consolidated financial statements, the directors of the Company (the “Directors”) have given consideration to the future liquidity of the Group in light of its loss of approximately RMB30 million reported for the current period and accumulated losses of approximately RMB142 million as at 30th June, 2009. The Directors are satisfied that with its existing resources and future operating cash flows, the Group will have sufficient working capital to meet in full its financial obligations as they fall due for the foreseeable future and be able to continue to operate with no significant financial difficulties. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

## 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.

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, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are effective for the Group’s financial year beginning on 1st January, 2009.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) — Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) — Int 13	Customer Loyalty Programmes
HK(IFRIC) — Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) — Int 16	Hedges of a Net Investment in a Foreign Operation
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The Directors anticipate that the application of other new and revised standards, amendments or interpretations 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, 2009

## 3. SEGMENT INFORMATION

### Business segments

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The Executive Directors of the Company are identified as the CODM as they regularly reviewed the internal report to assess performance and allocate resources of the Group.

In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The Group’s reportable segments under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 3. SEGMENT INFORMATION (continued)

### Business segments (continued)

An analysis of the Group's reportable segment revenue and results by operating segment is as below. Amounts reported for prior period have been restated to conform to the requirement of HKFRS 8.

*Six months ended 30th June, 2009*

	<b>Toll Road Operations RMB'000</b>	<b>Mining Operations RMB'000</b>	<b>Consolidated RMB'000</b>
<b>REVENUE</b>			
External sales	<b>27,845</b>	<b>58,295</b>	<b>86,140</b>
<b>RESULTS</b>			
Segment profit (loss)	<b>7,033</b>	<b>(14,519)</b>	<b>(7,486)</b>
Other income			
– Net foreign exchange gain			<b>1,222</b>
– Gain on disposal of subsidiaries			<b>1,358</b>
– Interest income			<b>71</b>
Central administration costs			<b>(8,172)</b>
Interest expense			<b>(14,177)</b>
Loss before tax			<b>(27,184)</b>
Income tax credit			<b>(2,619)</b>
Loss for the period			<b>(29,803)</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 3. SEGMENT INFORMATION (continued)

### Business segments (continued)

*Six months ended 30th June, 2008*

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
<b>REVENUE</b>			
External sales	31,483	109,283	140,766
<b>RESULTS</b>			
Segment profit	11,541	43,074	54,615
Other income			
– Net foreign exchange gain			25,757
– Interest income			285
Central administration costs			(19,949)
Interest expense			(14,055)
Profit before tax			46,653
Income tax expense			(8,565)
Profit for the period			38,088

Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of central administration costs, net foreign exchange gain, gain on disposal of subsidiaries, interest income and interest expense. This is the measure reporting to the Executive Directors of the Company for the purposes of resource allocation and performance assessment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 3. SEGMENT INFORMATION (continued)

### Business segments (continued)

The following is an analysis of the Group's assets by operating segment:

	<b>30.6.2009</b> <b>RMB'000</b>	31.12.2008 RMB'000
Toll Road Operations	<b>106,684</b>	112,205
Mining Operations	<b>1,403,184</b>	1,384,774
<b>Total segment assets</b>	<b>1,509,868</b>	1,496,979

## 4. INTEREST EXPENSE

	<b>Six months ended</b>	
	<b>30.6.2009</b> <b>RMB'000</b>	30.6.2008 RMB'000
Interest on bank borrowing wholly repayable within five years	<b>4,604</b>	5,116
Effective interest on promissory notes	<b>3,657</b>	5,212
Imputed interest on:		
– non-current loan from a shareholder	–	2,229
– non-current loan from a fellow subsidiary	<b>2,781</b>	–
– consideration payable for acquisition of subsidiaries	<b>3,113</b>	1,498
– provisions	<b>22</b>	–
	<b>14,177</b>	14,055

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 5. INCOME TAX EXPENSE

	Six months ended	
	30.6.2009 RMB'000	30.6.2008 RMB'000
PRC Enterprise Income Tax		
– current period	2,443	3,750
– underprovision in prior year	–	13
Deferred tax		
– current period (note)	176	4,802
	<b>2,619</b>	<b>8,565</b>

note: Included in the deferred tax, RMB377,000 was credited (2008: RMB5,358,000 being charged) to the condensed consolidated statement of comprehensive income in respect of temporary difference associated with the undistributed earnings of subsidiaries.

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% (2008: 25%) during the six months ended 30th June, 2009.

Pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC, the Company's other PRC mining subsidiaries, except for those stated above, enjoy a preferential tax rate of 15%. In addition, these PRC mining 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 is 2007 except that the first profit-making year of Baoshan Feilong Nonferrous Mining Co., Ltd. ("Baoshan Feilong") is 2006. Accordingly, they were within the tax reduction period and subject to PRC Enterprise Income Tax at a rate of 7.5% during the six months ended 30th June, 2009.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 5. INCOME TAX EXPENSE (continued)

Langfang Tongda Highway Co., Ltd. (“Langfang Tongda”) was subject to PRC Enterprise Income Tax at a preferential rate of 18% for the period ended 30th June, 2008 as it was qualified as an enterprise investing in public infrastructure projects in the PRC. It was subject to the 20% tax rate during the six months ended 30th June, 2009.

According to the Enterprise Income Tax Law (“Tax Law”) of the PRC, the PRC subsidiaries situated in the western region of the PRC, which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of tax reductions, will continue to enjoy the preferential tax rate of 15% until 2011, except that in the case of Baoshan Feiolong, it is 2010. Langfang Tongda, which previously enjoyed the preferential tax policies in the form of a reduced tax rate, is having a 5-year transition period to progressively increase its tax rate to the legally prescribed tax rate. Langfang Tongda was subject to the 20% tax rate from 1st January, 2009, and will be subject to 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.

## 6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2009 RMB'000	30.6.2008 RMB'000
(Loss) profit for the period has been arrived at after crediting (charging) the following items:		
Cost of inventories sold (included amortisation of mining rights of RMB8,689,000; 2008: RMB11,876,000)	<b>(59,625)</b>	(53,039)
Depreciation of property, plant and equipment	<b>(11,654)</b>	(11,367)
Amortisation of other intangible assets (included in direct operating costs)	<b>(10,646)</b>	(9,281)
Share-based payments expense (Note 20)	<b>(2,558)</b>	(15,096)
Release of prepaid lease payments	<b>(114)</b>	(106)
Net foreign exchange gain	<b>1,222</b>	25,757
Gain on disposal of subsidiaries	<b>1,358</b>	—
Change in fair value of other financial asset designated as fair value through profit or loss (“FVTPL”)	<b>454</b>	—
Gain (loss) on disposal of property, plant and equipment	<b>25</b>	(28)
Interest income	<b>71</b>	285



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 7. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The Directors do not recommend the payment of any interim dividend for both periods.

## 8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2009 RMB'000	30.6.2008 RMB'000
<b>(Loss) earnings</b> (Loss) profit for the period attributable to owners of the Company	<b>(32,010)</b>	32,494
	Number	Number
<b>Number of shares</b> Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>325,569,333</b>	314,171,002
Effect of dilutive potential ordinary shares — share options	—	1,236,042
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	<b>325,569,333</b>	315,407,044

The exercise of the Company's share options will result in a decrease in loss per share for the six months ended 30th June, 2009. Accordingly, the relevant diluted loss per share is not presented.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred RMB17,758,000 (2008: RMB29,626,000) on the acquisition of property, plant and equipment during the reported period.

## 10. MINING RIGHTS

	<b>RMB'000</b>
<b>COST</b>	
At 1st January, 2009	1,431,106
Addition	4,373
Disposal upon disposal of subsidiaries	(400)
At 30th June, 2009	1,435,079
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1st January, 2009	273,010
Charge for the period	8,689
Eliminated upon disposal of subsidiaries	(255)
At 30th June, 2009	281,444
<b>CARRYING VALUE</b>	
At 30th June, 2009	1,153,635
At 31st December, 2008	1,158,096

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, expiring in the period from June 2010 to December 2014. In the opinion of the Directors, the Group will be able to renew the mining rights with the relevant government authorities continuously.

The mining rights are amortised over a period between 9 to 25 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, 2009

## 11. OTHER INTANGIBLE ASSETS

Other intangible assets represent the operating rights of toll road highway and bridge granted by the Hebei Provincial Government to the Group for 16 years, which is from 1997 to 2013. During the concessionary period, the Group has the rights of operation and management of Wen An section of National Highway 106 and the toll-collection rights thereof. The Group is required to manage and operate the toll highway and bridge in accordance with the regulations promulgated by the Ministry of Transport of the PRC and relevant government authorities. At the end of the respective concession service periods, the toll highway and bridge and their toll station facilities will be returned to the grantor at nil consideration.

The Group's right to operate the toll highway and bridge is amortised on a units-of-usage basis, using the ratio of estimated traffic volume for a particular period to the projected total traffic volume over the period of 16 years.

## 12. OTHER FINANCIAL ASSET

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
Financial asset designated as at FVTPL	<b>27,375</b>	26,921

During the year ended 31st December, 2008, the Group entered into an agreement with Mr. Yang Long and his affiliates, pursuant to which the Group has agreed to pay the mining fees on behalf of Mr. Yang Long and his affiliates in exchange for (a) the transfer by Mr. Yang Long and his affiliates of their distributable profits in Baoshan Feilong for the period from 2008 to 2015 to the Group; and (b) RMB5,000,000 cash paid by Mr. Yang Long and his affiliates to the Group. Accordingly, the Group recognised a financial asset designated as at FVTPL of RMB26,921,000 in connection with the right to share of profit of Baoshan Feilong for the period from 2008 to 2015. Any excess or shortfall of the estimated distributable profit of Baoshan Feilong to the Group given up by Mr. Yang Long and his affiliates will not be repaid to or recovered from them. At initial recognition, the financial asset was measured based on the estimated distributable profit of Baoshan Feilong given up by Mr. Yang Long and his affiliates at an effective interest rate of 22.9% per annum. At end of the reporting period, the fair value of the financial asset varies depending on the estimated distributable profit of Baoshan Feilong and the effective interest rate of 25% per annum. The change in fair value of RMB454,000 has been credited to the condensed consolidated statement of comprehensive income.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 13. TRADE AND OTHER RECEIVABLES

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
Trade receivables	<b>4,506</b>	7,940
Other receivables	<b>16,844</b>	10,256
	<b>21,350</b>	18,196

The Group allows an average credit period of 60 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date.

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
0-30 days	<b>4,506</b>	7,940

## 14. AMOUNTS DUE FROM/TO RELATED COMPANIES

	<b>Due from</b>	
	<b>30.6.2009</b>	31.12.2008
	<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>24,886</b>	9,411
	<b>13,010</b>	7,642
	<b>37,896</b>	17,053

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 14. AMOUNTS DUE FROM/TO RELATED COMPANIES (continued)

The Group allows an average credit period of 60 days to its related companies. The following is an analysis of amounts due from related companies by age, which are trading in nature, presented based on invoice date:

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
0-30 days	<b>37,896</b>	17,053

	<b>Due to</b>	
	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
<b>Current</b>		
Mr. Yang Long and his affiliates (notes i & iii)	<b>3,258</b>	3,260
Langfang Bureau and its affiliate (notes ii & iii)	<b>2,365</b>	1,908
	<b>5,623</b>	5,168
<b>Non-current</b>		
Yue Da Enterprise (note iv)	<b>102,751</b>	62,961
	<b>108,374</b>	68,129

notes:

- (i) Mr. Yang Long is a substantial shareholder of the Company and the minority shareholder of the Company's mining subsidiary, Baoshan Feilong. The companies controlled by Mr. Yang Long are deemed to be connected persons under the Listing Rules.
- (ii) Langfang Bureau is a minority shareholder with 49% equity interest in the Company's toll highway and bridge subsidiary, Langfang Tongda. Langfang Bureau and its affiliate are also deemed to be connected persons under the Listing Rules as Langfang Bureau and the Company are indirectly controlled by the PRC government.
- (iii) The amounts are unsecured, interest-free and repayable on demand.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 14. AMOUNTS DUE FROM/TO RELATED COMPANIES (continued)

notes: (continued)

- (iv) On 15th June, 2009, the Group agreed with Yue Da Enterprise, a fellow subsidiary of the Company, to extend the repayment date of a loan without consideration. On the same day, Yue Da Enterprise also granted a new loan of RMB53,888,000 to the Group. Both of these amounts are unsecured, interest-free and repayable in 2011. The aggregate nominal value of the loans of RMB119,604,000 was initially recognised at a fair value of RMB102,751,000 at the date of settlement deed, determined using cash flows discounted at an effective interest rate of 9.3% per annum. The difference of RMB16,853,000 between the nominal value and the fair value of the loans at the date of the settlement deed was recognised as a deemed capital contribution from Jiangsu Yue Da which is the ultimate holding company of the Company and Yue Da Enterprise.

## 15. TRADE AND OTHER PAYABLES

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
<b>Current</b>		
Trade payables	<b>4,238</b>	2,395
Other payables (note)	<b>33,287</b>	39,706
<b>Non-current</b>	<b>37,525</b>	42,101
Other payables (note)	<b>21,647</b>	21,266
	<b>59,172</b>	63,367

The following is an analysis of trade payables by age, presented based on the invoice date.

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
0-60 days	<b>4,238</b>	2,395

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 15. TRADE AND OTHER PAYABLES (continued)

note: At 30th June, 2009, included in the other payables is a mining fee payable of RMB28,625,000 (31st December, 2008: RMB 23,497,000) in which RMB21,647,000 (31st December, 2008: RMB21,266,000) is non-current portion and RMB6,978,000 (31st December, 2008: RMB2,231,000) is classified as current. It is unsecured, interest-free and repayable in accordance with the requirement of the PRC rules and regulations in which its payment method is based on the annual actual extraction volume. The fair value of mining fee payable on its initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum. The difference between the nominal value and the fair value of the mining fee payable of RMB34,626,000 (31st December, 2008: RMB35,382,000) was considered as a government grant and was recognised as deferred income (Note 18).

## 16. PROMISSORY NOTES

The promissory notes were issued to Feilong Holdings Limited, a company beneficiary owned by Mr. Yang Long, and are unsecured, interest-bearing at a coupon rate of 3.5% (31st December, 2008: 3.5%) per annum and repayable on the following terms:

	<b>30.6.2009</b>	31.12.2008
	<b>RMB'000</b>	RMB'000
Carrying amount repayable:		
Within one year	<b>8,695</b>	8,320
More than one year, but not more than two years	<b>29,791</b>	26,898
More than two years, but not more than five years	<b>48,009</b>	47,656
	<b>86,495</b>	82,874
Less: Amounts due within one year shown under current liabilities	<b>(8,695)</b>	(8,320)
	<b>77,800</b>	74,554

The fair values of the promissory notes on their initial recognition were determined using cash flows discounted at an effective interest rate of 9.3% per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 17. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is unsecured, interest-free and repayable on 30th September, 2009. The fair value of the consideration payable for acquisition of subsidiaries on its initial recognition was determined using cash flows discounted at an effective interest rate of 8.7% per annum.

## 18. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fee payable (Note 15). The amount will be released to income over the expected payment period of the mining fee payable upon the recognition of imputed interest expense.

## 19. DISPOSAL OF SUBSIDIARIES

On 11th March, 2009, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of certain subsidiaries, Merry Best Investments Limited and Yuelong (Puer) Limited, which held the entire equity interest in Puer Feilong Mining Co., Ltd. (collectively refer to as the “Puer Group”), the principal activities of which are mining and processing of zinc and lead. The disposal was completed on 18th March, 2009, on which date control of the Puer Group was passed to the acquirer.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 19. DISPOSAL OF SUBSIDIARIES (continued)

The following are the assets and liabilities disposed of on the date of completion:

	<b>RMB'000</b>
NET ASSETS DISPOSED OF	
Property, plant and equipment	3,162
Deferred tax assets	801
Prepaid lease payments	135
Mining rights	145
Long term deposits	677
Inventories	479
Other receivables	882
Bank balances and cash	80
Trade and other payables	(1,339)
Amount due to Yue Da Mining Limited, a subsidiary of the Company	(11,059)
	(6,037)
Waiver of amount due to Yue Da Mining Limited	11,059
	5,022
Gain on disposal	1,358
<b>Total consideration</b>	<b>6,380</b>
Satisfied by:	
Cash	6,000
Deferred consideration	380
	6,380
Net cash outflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	(80)
	5,920

The deferred consideration will be settled in cash by the acquirer on or before 30th June, 2010.

During the period between 1st January, 2009 and the date of disposal, the Puer Group contributed a loss of RMB196,770 to the Group's results.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 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:

	<b>Number of share options</b>
Outstanding at 1st January, 2009	12,300,000
Granted during the period (note)	5,890,000
Forfeited during the period	(2,190,000)
<b>Outstanding at 30th June, 2009</b>	<b>16,000,000</b>

note: On 27th May, 2009, 5,890,000 share options were granted and vested immediately. The fair value of the share options granted on the date of grant was HK\$2,906,000 (equivalent to approximately RMB2,558,000). The fair value of the share options granted during the period was calculated using the Black-Scholes option pricing model. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

The following assumptions were used to calculate the fair value of the share options:

Grant date share price	HK\$1.06
Exercise price	HK\$1.06
Expected life	2.36 years
Expected volatility	84.77%
Dividend yield	0%
Risk-free interest rate	0.544%

Expected volatility was determined by using the historical volatility of the Company's share price over the past 590 days to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

The closing price of the Company's shares immediately before the date of grant was HK\$1.06.

As all the options vested on the date of grant, the Group recognised total share option expenses of RMB2,558,000 for the period ended 30th June, 2009 (30th June, 2008: RMB15,096,000) in relation to share options granted by the Company.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

## 21. CONNECTED AND RELATED PARTY DISCLOSURES

- (i) During the six months ended 30th June, 2009, the Group had the following transactions with connected persons and related parties:

Relationship	Nature of transactions	Six months ended	
		30.6.2009 RMB'000	30.6.2008 RMB'000
Mr. Yang Long and his affiliates	Sale of finished goods by the Group	37,391	70,223
	Interest on promissory notes	3,657	5,212
	Purchase of materials by the Group	—	2,256
	Sub-contracting fee paid by the Group	—	1,864
Langfang Bureau and its affiliate	Repairs and maintenance charges paid by the Group	4,397	4,971
Yue Da Group (H.K.) Co., Limited ("Yue staff Da HK") (note)	Rentals paid on office premises and quarters by the Group	1,190	1,214
	Deemed capital contribution arising from a new non-current interest-free loan granted to the Group	—	11,055
Yue Da Enterprise	Rentals paid for staff quarters by the Group	106	108
Jiangsu Yue Da	Deemed capital contribution arising from a new non-current interest-free loan granted to the Group	8,791	—
	Deemed capital contribution arising from an extension of repayment date of a non-current interest-free loan granted to the Group	8,062	—

note: Yue Da HK is the immediate holding company of the Company, incorporated in Hong Kong with limited liability.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2009

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

- (ii) Details of the Group's outstanding balances with related parties are set out in notes 14 and 16.
- (iii) In addition, pursuant to the agreements between the Group, the minority shareholder of the Group's toll highway and bridge subsidiary and the relevant government bureaus, the parties have agreed and confirmed that the Group has the right to use the land on which the toll highway and bridge is situated at no cost for the duration of the relevant joint venture term.
- (iv) As at 30th June, 2009, Jiangsu Yue Da which holds 100% interest in Yue Da HK, had given corporate guarantees to banks in the PRC to secure the loan facility granted to the Group to the extent of RMB140,000,000 (31st December, 2008: RMB100,000,000). The facilities are general working capital facilities, in which facility amount of RMB100,000,000 is granted for three years from 29th December, 2008 and the remaining amount is granted for one year from 23rd March, 2009. As at 30th June, 2009, the entire facility has been utilised by the Group.
- (v) Transactions with other state-owned entities in the PRC:

The Group operates in an economic environment currently predominated by entities 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 which is controlled by the Yancheng Municipal People's Government. Apart from the transactions with related parties disclosed in (i) to (iv) above, the Group also 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 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, 2009

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

(vi) 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	
	30.6.2009 RMB'000	30.6.2008 RMB'000
Short-term benefits (including share-based payments)	2,138	8,586
Post-employment benefits	41	55
	<b>2,179</b>	8,641

## 22. CAPITAL COMMITMENTS

	30.6.2009 RMB'000	31.12.2008 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,442	14,258

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Group for the six months ended 30th June, 2009 (the “Period”) amounted to RMB86,140,000 and RMB8,343,000, representing a decrease of approximately 38.8% and 88.2%, respectively, over the same period of last period ended 30th June, 2008. The loss attributable to the equity holders of the Company for the Period was RMB32,010,000, compared with the profit attributable to shareholders of RMB32,494,000 of 2008 and basic loss per share amounted to RMB9.8 cents (corresponding period of last year: earnings per share of RMB10.3 cents).

## INTERIM DIVIDEND

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

## BUSINESS REVIEW

The Group is principally engaged in the mining as well as cleansing and processing of metal minerals (the “Mining Operations”) and the operation of a toll road (the “Toll Road Operations”).

### Mining Operations

During the Period, the Mining Operations realized an operating revenue of RMB58,295,000 (corresponding period of last year: RMB109,283,000) with a segment loss of RMB14,519,000 (corresponding period of last year: profit of RMB43,074,000).

The ores extracted during the Period amounted to 216,577 tons, representing a decrease of 36.8% over 342,579 tons in corresponding period of last year, with a unit mining cost of approximately RMB99 per ton (corresponding period of last year: RMB92 per ton) and a unit processing cost of approximately RMB77 per ton (corresponding period of last year: RMB101 per ton).

The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 3,468 metal tons (corresponding period of last year: 4,894 metal tons), lead ore concentrates of 1,664 metal tons (corresponding period of last year: 2,071 metal tons), silver of 1,175 kilograms (corresponding period of last year: 2,624 kilograms) and iron ore concentrates of 46,046 tons (corresponding period of last year: 61,543 tons). During the Period, the metal ore concentrates were sold at an average price of RMB5,883 per metal ton for zinc ore concentrates (corresponding period of last year: RMB9,743 per metal ton), RMB8,240 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB19,575 per metal ton), and RMB251 per ton for iron ore concentrates (corresponding period of last year: RMB714 per ton).

## Management Discussion and Analysis

Amidst the negative impact of the global financial turmoil that surfaced in the third quarter in 2008, the overall market prices of zinc, lead and iron ore concentrates were maintained at relatively low levels in the first half of 2009. As announced by the Company on 21st November, 2008, the Group has reduced or suspended the production at certain mining sites on a temporary basis as cost-control measures. For mining sites where outputs are of relatively higher quality and whose prices are sufficient to cover production costs, measures of temporary reduction in production were implemented, while for mining sites with smaller capacity and lower quality output, measures of temporary suspension in production were implemented (collectively the “Temporary Measures”). However, the exploration activities and technical innovation works of the above mines were still being carried out during the Period for the purpose of flourishing future business development. The lead and zinc mining site, the mining rights of which are held by Baoshan Feilong Nonferrous Metal Co., Ltd. (“Baoshan Feilong”), has rich material contents. The cleansing and processing costs are relatively lower. Since March 2009, Baoshan Feilong has resumed operation in normal scale and is generating a reasonable source of profit and cashflow to the Group. The iron and zinc mining site, the mining rights of which are held by Tengchong Ruitu Mining and Technology Company Limited (“Tengchong Ruitu”), has a relatively higher quality and rich material contents. The costs of cleansing and processing are relatively lower than those of other mining sites of the same nature in the market. Accordingly, Tengchong Ruitu continues to operate in a normal scale of production during the Period. Currently, the processing plant has an average ore daily processing capacity of 2,000 tones. As additional information, in relation to Changdong Mine at which the measure of temporary production suspension was implemented in or towards the end of the year ended 31st December, 2008, the company which holds its mining rights (namely Puer Feilong Mining Co., Ltd.), together with its intermediate holding companies (namely Merry Best Investments Limited and Yuelong (Puer) Limited) were disposed of to an independent third party during the Period for further cost-control purpose. Such disposal does not constitute a notifiable transaction under the Listing Rules. Completion of the said disposal took place on 18th March, 2009. Merry Best Investments Limited, Yuelong (Puer) Limited and Puer Feilong Mining Co., Ltd. have ceased to be subsidiaries of the Company and, accordingly, no activities have been carried out by the Group at Changdong Mine since then.

To maintain a recurring sales and cashflow to the Group, two strategic co-operation agreements with a term of 10 years were entered with Panzhihua Steel Group International Economic Trading Company Limited (“Panzhihua Steel Company”) and Wugang Group Kunming Iron and Steel Company Limited (“Kunming Steel Company”), a subsidiary of Wuhan Iron and Steel (Group) Corp., details of which were included in the announcements of the Company dated 21st November, 2008 and 9th December, 2008, respectively. The said agreements with Panzhihua Steel Company and Kunming Steel Company continued to be in force during the Period.

# Management Discussion and Analysis

## Toll Road Operations

The Toll Road Operations recorded a net operating revenue of RMB27,845,000 (corresponding period of last year: RMB31,483,000) and a segment profit of RMB7,033,000 (corresponding period of last year: RMB11,541,000), respectively.

Wen An Section of the National Highway 106 in Hebei Province (the “Wen An Section”) is located in Langfang, Hebei and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) reached 22,500 during the Period (corresponding period of last year: 18,850) while the operating revenue achieved RMB27,845,000, which represented a decrease of approximately 12.6% over RMB31,843,000. During the Period, certain impacts on our revenue have been created by the toll-free “Green Channel” developed by the Company in accordance with relevant regulations of the PRC. 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.

The effect of the global financial turmoil that surfaced in the third quarter in 2008 does not have material impact on the Toll Road Operations and such operations continue to provide stable recurring income and cashflow to the Group.

## PROSPECTS

The Group has always sought to upgrade exploration and mining technologies by strengthening exploration efforts and improving mining methods, with a view to raising the production capacity of its existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group also endeavours to advance technology improvements, optimize production processes of processing plants and maximize grade and recovery of ore concentrates.

Tengchong Ruitu has commenced the production of the mine No. 10 as planned, thus providing a strong guarantee for a daily ores processing volume of 2,000 tons. With the entering of the long-term strategic co-operation agreements with Panzhihua Steel Company and Kunming Steel Company, the Group has assured itself of a steady cashflow and a reasonable level of profit.



## Management Discussion and Analysis

Baoshan Feilong has made smooth progress in its exploration activities as planned, and fruits were reaped in exploration phases as expected. The processing plant has completed its technology improvements, and plays a catalytic part in improving grade and recovery of ore concentrates. In the second half of the year ending 31st December, 2009, Baoshan Feilong is expected to continue to operate in a normal scale of production under a tighter cost control measure.

Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”) is carrying out the mining activities of mine No. 8 on schedule, in order to supply ores required by the processing plant for its normal production. Notable results are achieved in optimizing production processes and technology improvements of the processing plant as expected, thereby bringing about improvements in grade and recovery of ore concentrates. In the second half of the year ending 31st December, 2009, Yaoan Feilong is expected to fully resume the normal scale of production.

Zhen’an County Daqian Mining Development Co., Ltd. in Shaanxi (“Daqian Mining”) has expanded its exploration activities as planned by speeding up the construction of a new processing plant with a daily processing volume of 600 tons.

During the Period, the production of the mining project located in Wengniute Banner of Inner Mongolia (“Wengniute Banner Mining”) has partially resumed, while the technology improvements of the processing plant have been stepped up.

Looking forward, in the second half of 2009, the environment for the mining business is expected to be improved when compared with the first half of the year. As market prices of non-ferrous metal have picked up, the Board plans to implement a number of strategies, including gradual resumption of the production of Wengniute Banner Mining with reinforced efforts, acceleration of the construction of the newly built processing plant of Daqian Mining, taking full advantage of favorable conditions of relatively low lead and zinc prices and consolidation of the peripheral mineral resources of the existing mining companies. The Company also introduces measures in attempt to reduce its gearing ratio. We believe the Group will benefit from a continuous robust growth of China’s economy and an increasing buoyant demand for base metals, such as iron, lead and zinc, due to the unsustainable and non-renewable nature of mineral resources. With the adoption of the Temporary Measures, we are confident of the future business development of the Group. In 2009, on one hand, the Company’s strategy is to realize its potential drilling capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. On the other hand, the Group is making preparations for the acquisition of peripheral mining rights with high potential in appropriate time. At the same time, the Group may turn the prevailing market downturn into good opportunities for possible selective acquisition of mining projects with rich reserves, high quality,

# Management Discussion and Analysis

immense value-added potentials, quick cashflow returns, in order for the Company to further expand its scale of production, diversify into new profit streams and deliver higher returns to our shareholders.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2009, the Group's current assets were RMB177,192,000 (31st December, 2008: RMB185,057,000), of which RMB97,397,000 (31st December, 2008: RMB128,856,000) were bank balances and cash on hand. As at 30th June, 2009, the net asset value of the Group amounted to RMB674,141,000, representing approximately 2.4% decrease as compared with RMB691,055,000 at 31st December, 2008. The gearing ratio (total liabilities/total assets) of the Group was approximately 58.9% (31st December, 2008: 58.3%). As at 30th June, 2009, the share capital of the Company was RMB33,122,000 (31st December, 2008: RMB33,122,000). The Company's reserve and minority interests were RMB518,329,000 (31st December, 2008: RMB530,928,000) and RMB122,690,000 (31st December, 2008: RMB127,005,000), respectively. As at 30th June, 2009, the Group had total current liabilities of RMB171,781,000 (31st December, 2008: RMB184,719,000), mainly comprising bank borrowing, the promissory notes, consideration payable for acquisition of subsidiaries and other payables. The total non-current liabilities of the Group amounted to RMB792,956,000 (31st December, 2008: RMB781,895,000), mainly including bank borrowing and such promissory notes having maturity over one year, as well as deferred tax liabilities.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong 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 a net exchange gain amounting to RMB1,222,000 during the Period due to the appreciation of Renminbi.

## Other Information

### DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OR ANY ASSOCIATED CORPORATION OF THE COMPANY

As at 30th June, 2009, the interests and short positions of each Director in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

<b>Name</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number of ordinary shares of the Company ("Shares") (note 1)</b>	<b>Approximate percentage in the entire issued share capital of the Company</b>
Hu You Lin (deceased) (note 4)	The Company	Beneficial owner	3,960,000 Shares (L)	1.22%
	The Company	Beneficial owner	4,300,000 Shares (L) (note 2)	1.32%
	The Company	Beneficial owner	1,800,000 Shares (S) (note 3)	0.55%
Dong Li Yong	The Company	Beneficial owner	1,500,000 Shares (L)	0.46%
	The Company	Beneficial owner	2,100,000 Shares (L) (note 2)	0.65%
	The Company	Beneficial owner	900,000 Shares (S) (note 3)	0.28%
Liu Xiao Guang	The Company	Beneficial owner	1,500,000 Shares (L) (note 2)	0.46%
	The Company	Beneficial owner	600,000 Shares (S) (note 3)	0.18%
Qi Guang Ya	The Company	Beneficial owner	1,200,000 Shares (L) (note 5)	0.37%
	The Company	Beneficial owner	600,000 Shares (S) (note 3)	0.18%

## Other Information

notes:

1. The letter "L" represents the Director's interests in the Shares and underlying shares of the Company. The letter "S" represents the Director's short position 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 the relevant directors on 25th May, 2008 (with an exercise price of HK\$4.85 per Share and a then exercise period from 25th May, 2008 to 24th May, 2018 ("2008 Options")), 27th May, 2009 (with an exercise price of HK\$1.06 per Share and an exercise period from 9th July, 2009 to 24th May, 2018), and 27th May, 2009 (with an exercise price of HK\$1.06 per Share and an exercise period from 28th May, 2009 to 26th May, 2019), respectively, under the share option scheme of the Company. Details of which were included in the section headed "Share Option Scheme" of this report.
3. The short position represents the obligation to deliver the underlying Shares arising from the then proposed cancellation of the 2008 Options granted on 25th May, 2008, details of which were included in the circular of the Company dated 23rd June, 2009.
4. According to the share option scheme of the Company and following the demise of Mr Hu You Lin on 28th August, 2009, the title to the relevant share options of the late Mr Hu would pass to his personal representative who is entitled to exercise the same during a period of 12 months following 28th August, 2009.
5. These Shares represent Shares which would be allotted and issued upon the exercise in full the 2008 Options granted to Mr Qi Guang Ya and the options granted to him on 27th May, 2009 (with an exercise price of HK\$1.06 per Share and an exercise period from 9th July, 2009 to 24th May, 2018).

Save as disclosed above and in this interim report, as at 30th June, 2009, none of the Directors, chief executives or their related parties had any interests or short positions in any Shares and underlying Shares or any of the Company's associated corporations.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2009, the following shareholders had an interest of 5% or more in the issued share capital 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	120,257,000 Shares (L)	36.94%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	120,257,000 Shares (L) (note 2)	36.94%
Feilong Holdings Limited	The Company	Beneficial owner	33,333,333 Shares (L) (note 3)	10.24%
Pure Talent Investments Limited	The Company	Interest of a controlled corporation	33,333,333 Shares (L) (note 3)	10.24%
Mr Yang Long	The Company	Interest of a controlled corporation	33,333,333 Shares (L) (note 3)	10.24%

notes:

1. The letter "L" represents the entity's long 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 Long holds 100% interest in Pure Talent Investments Limited which in turn holds 100% interest in Feilong Holdings Limited.

## Other Information

### SHARE OPTION SCHEME

On 12th November, 2001, the then sole shareholder of the Company passed a written resolution to adopt the share option scheme of the Company. During the Period, details of the movement of the options granted by the Company were as follows:

Name or category of participant	At 1st January, 2009	Granted during the Period	Lapsed during the Period	At 30th June, 2009	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per Share
<b>Directors</b>							
Hu You Lin (deceased) (note)	1,800,000	–	–	1,800,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	–	700,000	–	700,000	27th May, 2009	28th May, 2009 to 26th May, 2019	1.06
	<u>1,800,000</u>	<u>700,000</u>	<u>–</u>	<u>2,500,000</u>			
Dong Li Yong	900,000	–	–	900,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	–	300,000	–	300,000	27th May, 2009	28th May, 2009 to 26th May, 2019	1.06
	<u>900,000</u>	<u>300,000</u>	<u>–</u>	<u>1,200,000</u>			
Liu Xiao Guang	600,000	–	–	600,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	–	300,000	–	300,000	27th May, 2009	28th May, 2009 to 26th May, 2019	1.06
	<u>600,000</u>	<u>300,000</u>	<u>–</u>	<u>900,000</u>			
Qi Guang Ya	600,000	–	–	600,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	<u>600,000</u>	<u>–</u>	<u>–</u>	<u>600,000</u>			
Other employees of the Company	4,800,000	–	–	4,800,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	–	2,600,000	–	2,600,000	27th May, 2009	28th May, 2009 to 26th May, 2019	1.06
	<u>4,800,000</u>	<u>2,600,000</u>	<u>–</u>	<u>7,400,000</u>			

## Other Information

Name or category of participant	At	Granted	Lapsed	At	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per Share
	1st January, 2009	during the Period	during the Period	30th June, 2009			
Other employees of the Company's subsidiaries	3,600,000	—	(2,190,000)	1,410,000	25th May, 2008	25th May, 2008 to 24th May, 2018	4.85
	—	1,990,000	—	1,990,000	27th May, 2009	28th May, 2009 to 26th May, 2019	1.06
	3,600,000	1,990,000	(2,190,000)	3,400,000			
Total	12,300,000	5,890,000	(2,190,000)	16,000,000			

note: According to the share option scheme of the Company and following the demise of Mr Hu You Lin on 28th August, 2009, the title to the relevant share options of the late Mr Hu would pass to his personal representative who is entitled to exercise the same during a period of 12 months following 28th August, 2009.

### EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2009, the Group had a total of approximately 1,604 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions were made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, 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

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares of the Company during the Period.

## Other Information

### THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except that the former Chairman of the Board was unable to attend the annual general meeting of the Company held in 2009 which deviates from code provision E.1.2, but one of the executive Directors of the Company was present to chair such meeting.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, the Company has adopted the Model Code for Securities Transactions by the Directors of the Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). 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 these 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 on the related matters of the remuneration policy, remuneration levels and the remuneration of executive directors.



## Other Information

### CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2009, 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.

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

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

By order of the Board  
**Yue Da Mining Holdings Limited**  
**Dong Li Yong**  
*Acting Chairman*

Hong Kong, 22nd September, 2009