2009 Annual Report

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

Stock code : 629

Contents

Corporate Information

REGISTERED OFFICE:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Office nos. 3321–3323 and 3325
China Merchants Tower
Shun Tak Centre
200 Connaught Road Central
Sheung Wan
Hong Kong

MEMBERS OF THE BOARD:

Executive directors

Mr. Dong Li Yong and Mr. Liu Xiaoguang

Non-executive directors

Mr. Chen Yunhua and Mr. Qi Guangya

Independent non-executive directors

Mr. Cai Chuan Bing, Ms. Leung Mei Han, Mr. Cui Shuming and Mr. Han Runsheng

AUDIT COMMITTEE

Mr. Cai Chuan Bing (Chairman), Ms. Leung Mei Han and Mr. Qi Guangya

REMUNERATION COMMITTEE

Mr. Cui Shuming (Chairman), Mr. Dong Li Yong and Mr. Cai Chuan Bing

AUTHORISED REPRESENTATIVES:

Mr. Dong Li Yong
Mr. Liu Xiaoguang

COMPANY SECRETARY:

Mr. Ong Chi King

INDEPENDENT AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Chiu & Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman
Cayman Islands
KY1-1006

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

Hong Kong Registrars Limited
Shop 1712–1716, 17/F,
Hopewell Centre,
183 Queen's Road East,
Wan Chai, Hong Kong

PLACE OF LISTING:

Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00629

PRINCIPAL BANKERS:

Industrial and Commercial Bank of China (Asia) Limited
Standard Chartered Bank

Chairman's Statement

"the Mining Operations recorded an operating revenue of RMB154,116,000 with a gross profit of RMB25,549,000 and gross profit margin of approximately 16.58%."

Chen Yunhua
Chairman

On behalf of the board ("Board") of directors ("Directors") of Yue Da Mining Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2009 (the "Year").

FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Group for the Year amounted to RMB209,713,000 and RMB49,356,000, representing a decrease of approximately 21.83% and 40.51% respectively over the year ended 31st December, 2008 ("2008"). Audited loss attributable to shareholders amounted to RMB52,881,000, compared with the audited loss attributable to shareholders amounted to RMB240,200,000 in 2008. Basic loss per share was RMB16.2 cents for the Year.

BUSINESS DEVELOPMENT

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").

Chairman's Statement

Mining Operations

Amidst the negative impact of the global financial turmoil that surfaced in the third quarter in 2008, the overall market price of zinc, lead and iron ore concentrates were maintained at relatively low levels in first half of 2009 but started to improve from the third quarter of 2009 after the slow recovery of the world's economy. 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 of Temporary Measures 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 Year. 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 late 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 Year 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 additional strategic co-operation agreements with a term of 10 years were entered with Zhuzhou Smelter Group Co. Ltd. ("Zhuzhou Smelter") and Yunnan Yuntong Zinc Alloy Company Limited ("Yunnan Yuntong") details of which were included in the announcement of the Company dated 22nd December, 2009. In 2008, two strategic co-operation agreements were signed 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 Year and the agreements with Zhuzhou Smelter and Yunnan Yuntong is in force for 10 years from 1st January, 2010.

Toll Road Operations

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.

In 2010, 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 projects with rich reserves, high quality, 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. Details of the new projects under negotiation are included in the section headed "Possible co-operation with Pingchuan Iron Mining Company" and "Other possible acquisition".

APPRECIATION

Finally, I would like to take this opportunity to express my gratitude to the Directors, management personnel and all staff for their contributions to the development of the Group. Likewise, I would like to express my appreciation to the shareholders for their support. The Group is fully committed to do its best to bring better returns to the shareholders.

By Order of the Board

Chen Yunhua
Chairman
Hong Kong

9th April, 2010

Management Discussion and Analysis

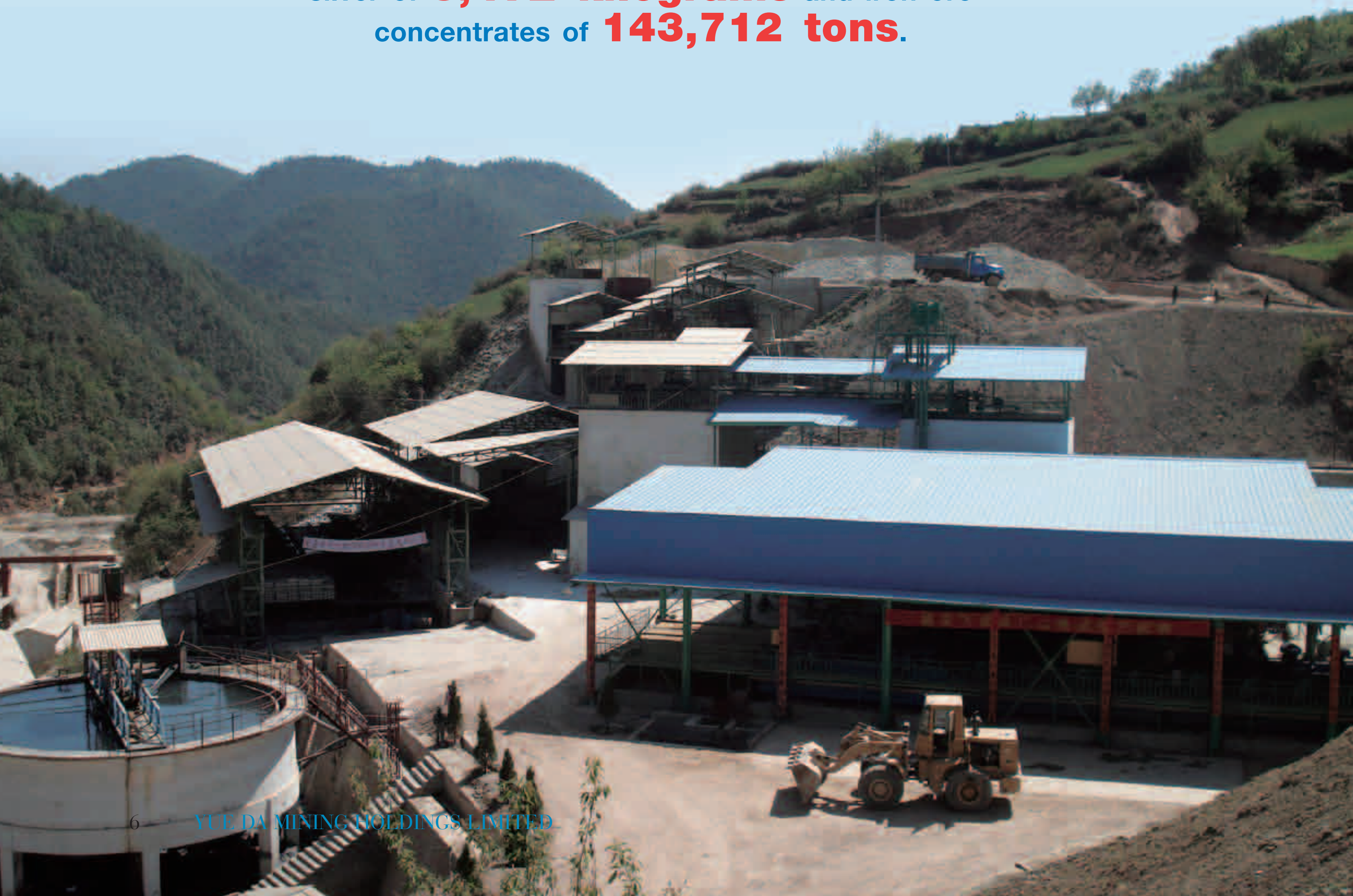
FINANCIAL HIGHLIGHTS

The Group recorded an operating revenue of RMB209,713,000 in the year ended 31st December, 2009 (the "Year"), representing a decrease of approximately 21.83% over RMB268,263,000 in 2008. Gross operating profit amounted to RMB49,356,000, representing a decrease of approximately 40.51% as compared to RMB82,966,000 in 2008. As a result of the negative impact of the global financial turmoil that surfaced in the third quarter of 2008, the overall market prices of zinc, lead and iron ore concentrates were maintained at relatively low levels in the Year. The audited loss attributable to the equity holders of the Group for the Year amounted to RMB52,881,000, compared with the audited loss attributable to shareholders amounted to RMB240,200,000 for the year ended 31st December, 2008 and basic loss per share amounted to RMB16.2 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the Year.

The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 7,047 metal tons, lead ore concentrates of 3,658 metal tons, silver of 3,472 kilograms and iron ore concentrates of 143,712 tons.



BUSINESS REVIEW

Overview

The Group is principally engaged in Mining Operations and Toll Road Operations. During the Year, the Mining Operations realized an operating revenue of RMB154,116,000 with a segment loss of RMB16,770,000, which represented a segment profit of RMB5,341,000 for the Mining Operations after deducting the amortisation charges of mining rights of RMB22,111,000. The Toll Road Operations recorded a net operating revenue of RMB55,597,000 and a segment profit of RMB16,899,000, respectively.

Mining Operations

During the Year, the Mining Operations recorded an operating revenue of RMB154,116,000 with a gross profit of RMB25,549,000 and gross profit margin of approximately 16.58%. The ores extracted during the Year amounted to 545,095 tons with a unit mining cost of approximately RMB84 per ton (2008: RMB94 per ton) and a unit processing cost of approximately RMB58 per ton (2008: RMB67 per ton). The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 7,047 metal tons, lead ore concentrates of 3,658 metal tons, silver of 3,472 kilograms and iron ore concentrates of 143,712 tons. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB6,901 per metal ton for zinc ore concentrates, RMB9,916 per metal ton for lead ore concentrates (with silver content), and RMB471 per ton for iron ore concentrates.

Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") has completed the project of upgrading the technology and enhancing the production capacity of its plant and its operations have commenced as planned. The production of the mine No. 10 and 11 has commenced as planned, thus providing a strong guarantee for a daily ores processing volume of 2,000 tons.

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. From the second half of the Year, Baoshan Feilong has resumed 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, Yaoan Feilong has fully resumed 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 Year, 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 completed.

Toll Road Operations

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 19,982 during the Year (2008: 19,150) while the operating revenue achieved RMB55,597,000, which represented an increase of approximately 2.06% over RMB54,473,000 in 2008. 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 Year. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Year. However, no large-scale maintenance works have been carried out.

Possible co-operation with Pingchuan Iron Mining Company ("Pingchuan Iron")

On 14th January, 2010 and 10th March, 2010, the Company and Pingchuan Iron entered into a memorandum of understanding and a framework agreement (the "Agreements"), respectively. Pursuant to the Agreements, it is proposed that the Group and Pingchuan Iron to establish a sino-foreign enterprise with respective equity interests of 49% and 51%. The board of the sino-foreign enterprise shall consist of five directors, two to be nominated by

Pingchuan Iron and three to be nominated by the Company. The sino-foreign enterprise is expected to embark on the development of Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC ("Pingchuan Iron Mine") which includes, without limitation:

(i) the exploitation, mining and processing of the reserves in Pingchuan Iron Mine which mainly comprise of iron;

(ii) the acquisition, restructuring and/or investment in other iron mining enterprises in Yanyuan County, Sichuan Province, the PRC, targeted to be implemented towards the end of 2010;

(iii) the in-depth exploration of other mining sites in Yanyuan County, Sichuan Province, the PRC, the reserves in which are mainly expected to be iron, copper and gold; and

(iv) the cleansing and processing of copper of other mining sites in Yanyuan County, Sichuan Province, the PRC.

As at the date of this report, the establishment of the sino-foreign enterprise is pending and the valuation on Pingchuan Iron Mine is under progress. Further announcement will be made by the Company in accordance with Listing Rules if there is any material development.

Other acquisition

On 27th January, 2010, the Company announced that the Company is in negotiation with an independent third party for the possible acquisition of a mine with gold deposits, which is at exploitation and mining stage, in Anhui Province, the PRC. As at the date of this annual report, the Company was in the process of negotiation of the terms and structure of such acquisition.

Open offer

The open offer of 325,869,333 offer shares at the subscription price of HK$1.2 per offer share on the basis of one offer share for every then existing share held on the record date on 10th February, 2010 became unconditional on 4th March, 2010 and the Company raised a net proceeds of approximately HK$382 million. The Company intends to use the net proceeds for financing the possible co-operation with Pingchuan Iron and the balance as general working capital or other potential investment of the Group.

Prospect

The Group has always sought to enhance its exploration and mining technologies by identifying suitable exploration and mining methods, improve and enhance explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximize explosive effects. Such measures aim at raising production capacity of the Group's existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further emphasise on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates.

The completion of the project of upgrading technology and enhancing production capacity of the processing plant operated by Tengchong Ruitu, the commencement of production of mine No. 10 and 11 as planned, Baoshan Feilong having made smooth progress in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter, Yunnan Yuntong, Panzhihua Steel Company and Kunming

Steel Company have built a concrete foundation for the Group to have steady cash flow and reasonable level of profit. In addition, Daqian Mining has expanded its exploration activities as planned by accelerating the construction of a new processing plant with a daily processing volume of 600 tons in order to increase the exploration of mineral assets. Yaoan Feilong is accelerating the mining activities of mine No. 8 for increasing recovery. Meanwhile, the optimization of its operation flow is in progress.

Looking forward, in 2010, the environment for the mining business is expected to be improved when compared with 2009. 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.

On the other hand, the Toll Road Operation continues to provide stable recurring income to the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19th May, 2010 to 26th May, 2010, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting of the Company to be held on 26th May, 2010, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 18th May, 2010.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2009, the Group's current assets were RMB97,775,000 (2008: RMB185,057,000), of which RMB34,481,000 (2008: RMB128,856,000) were bank balances and cash. As at 31st December, 2009, the net asset value of the Group amounted to RMB653,108,000, representing approximately 5.49% decrease as compared with RMB691,055,000 in 2008. The gearing ratio (total liabilities/total assets) of the Group was approximately 57.71% (2008: 58.31%).

As at 31st December, 2009, the share capital of the Company was RMB33,122,000 (2008: RMB33,122,000). The Company's reserve and minority interests were RMB493,802,000 (2008: RMB530,928,000) and RMB126,184,000 (2008: RMB127,005,000), respectively. As at 31st December, 2009, the Group had total current liabilities of RMB93,134,000 (2008: RMB184,719,000), mainly comprising bank borrowings, the promissory notes, taxation payable and other payables. The total non-current liabilities of the Group amounted to RMB798,172,000 (2008: RMB781,895,000), mainly including bank borrowings, consideration payable for acquisition of subsidiaries 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 Year, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 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.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2009, the Group had a total of 1,547 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 practices. 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 Year, 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 Year.

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 Year, except that the then 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. However, one of the executive Directors was present to chair such meeting.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, 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 Year.

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 Guangya (being a non-executive Director). Its duties include reviewing all matters relating to the scope of audit, the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 9th April, 2010, the audit committee reviewed the accounting principles and practices adopted by the Group, the annual results of the Group for the Year, the 2009 audited annual financial report and the connected transactions carried out by the Group during the Year, 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 executives.

Corporate Governance Report

The Company, as a listed company in Hong Kong, is committed to enhancing its corporate governance level.

The board of directors (the "Board") and the management of the Company understand that they are responsible for the formulation and strict implementation of a sound corporate governance structure and code, so as to improve the accountability system and transparency of the Company, protect the interests of and create value for shareholders.

The Board considered that the Group has adopted and complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules, save for the departure from Code provision E.1.2. as the then Chairman of the Board was unable to attend the annual general meeting of the Company held on 3rd June, 2009 due to business appointment (but one of the executive Directors was authorised by the then Chairman to chair the meeting on his behalf).

The status of the Company's compliance with the Code during 2009 and (if applicable) up to the date of this report is set out below.

A. DIRECTORS

A.1 The Board

Pursuant to the Code, an issuer should be headed by an effective board of directors which should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company by directing and supervising the company's affairs. Directors should make decisions objectively in the interests of the Company.

The Board is committed to improving the corporate governance system of the Company and is ultimately responsible for formulating and implementing strategies and the operating results of the Company. The main duties of the Board include:

1) to determine the strategies, objectives, policies and business plans of the Company and monitor the implementation of the strategies of the Company;

2) to monitor and control the operating and financial performance of the Company and establish appropriate risk management policies and procedures to ensure the implementation of the Company's strategic objectives;

3) to supervise the performance of the senior management and determine their remuneration; and

4) to perfect the corporate governance structure and facilitate communication with shareholders.

The Company has established internal guidelines to clarify matters which require approval of the Board.

Under the guidelines, the Board's approval is required for significant financing programs of the Company, such as investment plans, merger and acquisition or disposal of major assets, major capital expenditure and external borrowings.

The Board has set up two standing committees, namely, the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee") with specific duties, power and written terms of reference. The chairman of each committee reports to the Board regularly and advises on matters for discussion when necessary. Attendance of each of the directors of the Company to meetings of the Board and each of the committees during 2009 was set out as follows:

	Board	Audit Committee	Remuneration Committee
Number of meetings held	6	2	1
Attendance			
Dong Li Yong	6		1
Hu You Lin (Note1)	0		
Liu Xiaoguang	4		
Chen Yunhua (Note2)	0		
Qi Guangya	3	1	
Cai Chuan Bing	4	2	1
Leung Mei Han	4	2	
Cui Shuming	5		1
Han Runsheng	3		

Notes:

1. During the year up to 28th August, 2009, Mr Hu was an executive Director. He passed away on 28th August, 2009.

2. Mr. Chen Yunhua was appointed as Chairman and non-executive director of the Company on 13th November, 2009.

The Board and each of the committees adopted the principles, procedures and arrangement set out in Code provisions A.1.1 to A.1.8 under the Code, without deviation.

A.2 Chairman and Chief Executive Officer

Pursuant to the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual so as to ensure a balance of power and authority and that power is not concentrated in any one individual.

The functions of the Chairman and the chief executive officer of the Company ("Chief Executive Officer") are clearly segregated. The Chairman of the Board, Mr. Chen Yunhua (and the late Mr Hu You Lin prior to his demise on 28th August, 2009), is responsible for providing leadership for the Board. His main responsibility is to ensure that the Board works effectively and that good corporate governance practices and procedures are established and followed. The Chairman is also responsible for ensuring that appropriate steps are taken to provide effective communication with the shareholders and that the views of shareholders are communicated to the Board as a whole.

The present Chief Executive Officer of the Company, Mr. Dong Li Yong, is responsible for managing the business operations and general operation of the Company, implementing significant strategies of the Board and making decisions regarding daily operations of the Company.

There is no relationship (whether financial, business, family and other material/relevant relationship) among the members of the Board of the Company (including between the Chairman and the Chief Executive Officer). There was no deviation from Code provisions A.2.1 to A.2.3 under the Code.

A.3 Board composition

Pursuant to the Code, the board of directors should have a balance of skills and experience appropriate for the requirements of the business of the company. A board of directors should include a balanced composition of executive and non-executive directors so as to ensure the independency of the board. The board of directors must include at least three independent non-executive directors, and it is suggested in the Code that independent non-executive directors should represent at least one-third of the board. The Board comprises 8 members, of whom 2 are executive directors, 2 are non-executive directors and 4 are independent non-executive directors.

At present, details of members of the Board and committees of the Company are as follows:

Board member

Name	**Office**
Dong Li Yong	*Executive director/Vice Chairman*
Liu Xiaoguang	*Executive director*
Chen Yunhua	*Chairman/Non-executive director*
Qi Guangya	*Non-executive director*
Leung Mei Han	*Independent non-executive director*
Cui Shuming	*Independent non-executive director*
Cai Chuan Bing	*Independent non-executive director*
Han Runsheng	*Independent non-executive director*

Audit Committee member

Cai Chuan Bing	*Chairman*
Qi Guangya	
Leung Mei Han	

Remuneration Committee member

Cui Shuming	*Chairman*
Dong Li Yong	
Cai Chuan Bing	

The Company also maintains on its website (www.yueda.com.hk) an updated list of its directors identifying their roles and functions and whether or not they are independent non-executive directors.

Each member of the Board, with different backgrounds and possessing different expertise, has extensive experience in corporate planning and operation management, capital market, financial accounting, auditing, geology and so forth. There are 4 independent non-executive Directors in the Company at present, representing more than one-third of the Board. The number of independent non-executive directors in the Board is in line with the recommended best practices under Code provision A.3.2 under the Code. The biographical details of the members of the Board are disclosed on pages 24 to 26 of this annual report.

There was no deviation from Code provisions A.3.1 under the Code.

A.4 Appointment, re-election and removal

Pursuant to the Code, there should be formal, due consideration and transparent procedures for the appointments of new directors to the board. There should be plans for orderly succession of board appointments. All directors should be subject to re-election at regular intervals.

The Company has adopted measures for the nomination of directors to ensure the transparency of appointment and re-election processes of directors and evaluate the efficiency of the Board and the contribution of each director to the Board. According to the nomination measures, a director has to be nominated by the Board and shareholders severally or jointly holding the shares required by the Articles of Association and his/her election has to be approved in general meeting other than those elected by the Board to fill casual vacancy.

A candidate must consent with such nomination. The proposer shall fully understand the basic information of the nominee, including his occupation, academic qualification, position and detailed work experience, and provide written materials to the Company in such regard. The proposer of independent non-executive directors shall also express his opinions on the qualification and independence of the candidate as an independent non-executive director, and the nominee shall declare that he does not have any relationship with the Company which may affect his independent and objective judgment. The Company shall disclose detailed information of the candidate before convening the general meeting to ensure that shareholders have full understanding about the candidate. The candidate should provide a written confirmation prior to the general meeting that he accepts the nomination and undertakes the information disclosed about him is true, accurate and complete and warrants that he will duly perform his duties as a director upon his appointment. On expiry of a term of office of a director, the Board will consider his nomination for re-election after taking into account of the then business development requirement of the Company, performance of the relevant director in achieving designated objectives during his term, his dedication and commitment and performance in other material aspects.

The above nomination measures have also provided for the qualifications of a directorship candidate, including but not limited to, the expertise, skills and quality in modern corporate management, finance and law which are necessary for the candidate to perform his duties, understanding of the corporate operating rules under the market economy conditions and upholding of the principle of maximization of interests of the Company and the shareholders as a whole. The candidate should ensure that he can devote sufficient time and attention to discharging his duties during his term of office, to carefully review and consider all the business and financial reports of the Company and material news reports regarding the Company by public media and to understand and continually care for the business operation and management of the Company. The candidate should also ensure that he is, in principle, able to attend Board meetings in person, to exercise in a reasonably careful and dedicated manner and to clearly express his opinions on the matters for discussion. Candidate for the post of an independent non-executive director shall also possess the independence required by the Listing Rules, the basic knowledge of the operation of a listed company, extensive working experience in operation management, economic research, teaching, legal or financial fields and shall ensure that he can devote sufficient time and attention to discharging his duties as a director of the Company.

On 28th August, 2009 our former Chairman, Mr. Hu You Lin passed away. As interim measures, Mr Dong Li Yong assumed the role of acting chairman of the Company with effect from 28th August, 2009, and Mr Liu Xiaoguang was re-designated as an executive director with effect from 28th August, 2009, Mr. Chen

Yunhua was appointed as the Chairman and non-executive director of the Company on 13th November, 2009, and Mr Dong Li Yong served to be the Acting Chairman accordingly since 13th November, 2009. Save for the above, there was no other change in the composition of the Board in Year 2009.

Mr. Dong Li Yong, an executive director of the Company, entered into a service agreement with the Company for a term of three years with effect from 2nd January, 2009. Mr. Liu Xiaoguang, an executive director of the Board of the Company, entered into a service agreement with the Company for a term of one year with effect from 2nd January, 2010. Mr Chen Yunhua has been appointed as non-executive director for a term of three years with effect from 13th November, 2009 whereas Mr. Qi Guangya has been appointed as non-executive directors for a term of one year, with effect from 2nd January, 2010. Mr. Cai Chuan Bing, Ms. Leung Mei Han, Mr. Cui Shuming and Mr. Han Runsheng have been appointed as independent non-executive directors for a term of one year with effect from 2nd January, 2010.

Pursuant to Article 108 (A) of the Articles of Association of the Company, one-third of the members of Board of the Company (including executive, non-executive and independent non-executive directors) shall retire by rotation and be eligible for re-election at the forthcoming annual general meeting. Accordingly, two directors shall retire by rotation and may offer themselves for re-election at the 2009 annual general meeting and the relevant resolutions shall be tabled for approval.

Further, in accordance with Article 112 of the Articles of Association, Mr. Chen Yunhua (appointed by the Board as non-executive director with effect from 13th November, 2009) shall hold office until the first general meeting after his appointment. i.e. the annual general meeting and, being eligible, offer himself for re-election at the annual general meeting.

There was no deviation from Code provisions A.4.1 and A.4.2 under the Code.

A.5 Responsibilities of directors

Pursuant to the Code, every director is required to keep abreast of his responsibilities as a director of a company and of the conduct, business activities and development of the company. Non-executive directors shall have the same duties of care and skill and fiduciary duties as executive directors.

Every newly-appointed director of the Company received a comprehensive, formal and tailor-made introduction on the first occasion of his appointment to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities under the relevant statutes and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

The Company has in place a set of written guidelines for trading in the Company's securities by employees which provide strict requirements in respect of trading in the Company's securities conducted by its employees and are more stringent than the standards contained in the Model Code for Securities Transactions by directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). In addition, the Company notified all directors, senior management and relevant employees to follow such guidelines two months prior to the publication of the 2009 annual results.

Having made specific enquiries of all directors, the directors confirmed that they had complied with the Model Code and the written guidelines for trading in the Company's securities by employees.

The Company encouraged the directors of the Company to participate in the continuous professional development programme to develop and update their knowledge and skills to ensure that they are equipped with all the information and can continue to contribute to the Board when required. The Company is responsible for the costs of such programme.

The Company invited its non-executive directors and/or independent non-executive directors to act as members of the Audit Committee and the Remuneration Committee and to contribute by providing independent and constructive opinions to the Company.

There was no deviation from Code provisions A.5.1 to A.5.4 under the Code.

A.6 Supply of and access to information

Pursuant to the Code, directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors.

In respect of regular Board meetings and Committee meetings, the Company adopts the policy of giving 14-day-notice prior to the intended date of meeting, and sending in full an agenda and the relevant documents to all directors at least 3 days before the meeting so that the directors can understand the matters to be discussed. All directors are eligible to have access to relevant materials for Board Meetings. The management has an obligation to supply the Directors with complete and reliable information regarding the matters or subjects for discussion and explain the situations to the Board to enable them to make informed decisions. The management should also update the Board with the latest development of the Company in a timely manner, including information disclosure, investor relations activities and capital market performance. The Company has also set up internal procedures so that each Director can have separate and independent access to the senior management as appropriate. All directors are eligible to make further enquiries in respect of the business development of the Company.

There was no deviation from Code provisions A.6.1 to A.6.3 under the Code.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 Level and structure of remuneration

Pursuant to the Code, an issuer should disclose information relating to its directors' remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors required to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.

The Board has established the Remuneration Committee. As a standing committee of the Board, the Remuneration Committee is mainly responsible for supervising the remuneration policy of the Company, determining the level of remuneration of executive directors and senior management and evaluating the performance of executive directors. The members of the Remuneration Committee comprised Mr. Dong Li Yong, executive director, and Mr. Cui Shuming and Mr. Cai Chuan Bing, independent non-executive directors, with Mr. Cui Shuming as the Chairman of the Committee.

The main duties of the Remuneration Committee include:

(1) to make recommendations to the Board on the policy and structure of the Company for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

(2) to determine the specific remuneration packages of all executive directors and senior management, including any non-monetary benefits-in-kind, pension rights, incentive payments and any compensation payable for loss or termination of office or appointment, and make recommendations to the Board on the remuneration of non-executive directors;

(3) to evaluate the performance of executive directors, review and approve performance-based remuneration as well as approving terms and conditions of executive directors' service contracts by reference to corporate goals and objectives resolved by the Board from time to time;

(4) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms;

(5) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that the compensation payment is reasonable and appropriate.

The Remuneration Committee held one meeting during 2009. The Remuneration Committee has reviewed the remuneration policy and structure and performance evaluation system of the Group, made recommendations regarding directors' fees and the remuneration level of the senior management to the Board, discussed the execution of the share option scheme of the Company.

The remuneration of the Directors and senior management of the Company comprises three sections, namely, basic salaries, year-end bonuses and share options. The Company will consider the annual results of the Company and individual performance in determining the bonuses of executive directors and senior management. The Company also offers a share option scheme, which aims at retaining valuable talents and ensuring executive directors, senior management and the employees share the same benefits as shareholders.

Details of the directors' remuneration of the Company and the share option scheme are disclosed in notes 10 and 36 to the financial statements in this annual report.

There was no deviation from Code provisions B.1.1 to B.1.5 under the Code.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Pursuant to the Code, a board of directors should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.

The Directors of the Company understand its responsibilities for the preparation of the financial statements for each financial period which give a true and fair view of the operation and financial position of the Company.

In preparation of the financial statements for 2009, the directors of the Company:

(1) have applied appropriate accounting policies.

(2) have made reasonable judgment and estimate on a going concern basis.

(3) have acknowledged their responsibilities in preparing the accounts.

There was no departure from Code provisions C.1.1 to C.1.3 under the Code.

C.2 Internal controls

Pursuant to the Code, a board of directors should ensure that the company maintains sound and effective internal controls to safeguard shareholders' investment and company's assets. The Board has conducted periodic review on the efficiency of the Group's internal control systems, including financial, operation and compliance control and risk management procedures. The Board authorised the financial controller of the Company to set up the scope of review and work timetable of the internal control system under the supervision of the Audit Committee, to seek help from a qualified international or Hong Kong accounting firm in respect of the designated scope as deemed necessary by the Audit Committee, to engage an external accounting firm to assist in reviewing the internal control system within the budget approved by the Board and to report the contents and results of such review to the Board and shareholders.

The Company has not set up a specialised internal control department yet, but it has required its financial department to specifically take up the responsibility of reviewing the internal control system of the Group.

The Board believes that the Group is responsible to improve the internal control system continuously in order to give heed to the risk of the deficiency in the operating system, if any, with an aim to achieve the Group's objectives.

There was no deviation from Code provision C.2.1 to C2.2 under the Code.

C.3 Audit Committee

Pursuant to the Code, a board of directors should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors. The audit committee established by an issuer pursuant to the Listing Rules should have clear terms of reference.

The Board has established the Audit Committee. As a standing committee of the Board, the Audit Committee is mainly responsible for monitoring the completeness of the financial statements and regular reports issued by the Company and reviewing the financial control, internal control and risk management system of the Company. The members of the Audit Committee comprised Mr. Cai Chuan Bing and Ms. Leung Mei Han, independent non-executive directors, and Mr. Qi Guangya with Mr. Cai Chuan Bing as the Chairman of the Committee.

The main duties of the Audit Committee include, but not limited to:

(1) to be responsible for making recommendations to the Board on the appointment, re-election and removal of the external auditor, to approve the remuneration and terms of engagement of the external auditor, and to handle any questions on resignation or dismissal of any relevant auditor;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(3) to develop and implement policy on the engagement of an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

(4) to monitor the integrity of the financial statements, annual report and accounts, and interim report and to review significant financial reporting opinions contained therein;

(5) to review the Company's financial control, internal control and risk management systems;

(6) to discuss the internal control system with the arrangement and ensure that management has discharged its duty in establishing an effective internal control system;

(7) to consider any findings of major investigations of internal control matters and management responses as delegated by the Board or on its own initiative;

(8) to review the Group's financial and accounting policies and practices;

(9) to review the external auditor's management letter to the management of the Company, any material queries raised by the auditor to the management in respect of accounting records, financial accounts or systems of control and management's response;

(10) to ensure that the Board will provide a timely response to the issues raised in the management letter from the external auditor to the management;

(11) to report to the Board on the matters set out in the Code; and consider other topics, as defined by the Board.

The Audit Committee held two meetings during 2009, at which the Audit Committee reviewed the annual report and interim report of the Company and matters relating the connected transactions and made recommendations to the Board. The Audit Committee also reviewed the internal control system of the Company. The Board and the Audit Committee concurred in their opinions regarding the election and appointment of the external auditor.

In 2009, the fee paid by the Company to the external auditor, Deloitte Touche Tohmatsu, was HK$2,900,000 (including non-audit services).

There was no deviation from Code provisions C.3.1 to C.3.6 under the Code.

D. DELEGATION BY THE BOARD

D.1 Management functions

Pursuant to the Code, a company should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to the management as to the matters that must be approved by the board before decisions are made on behalf of the company. The Board is principally responsible for formulating strategies, objectives, policies and business plans of the Company, supervising the implementation of strategies of the Company, supervising and controlling the operation and financial performance of the Company and formulating appropriate risk management policies and procedures in order to achieve the Group's strategic objectives. Moreover, the Board is also equipped with an effective corporate governance structure to facilitate communication with shareholders.

The Board authorized the management under the Chief Executive Officer's leadership to implement the strategies and plans established by the Board and make decisions on daily operations. However, the Board's approval is required for significant financing programs of the Company, such as, merger and acquisition or disposal of material assets, material capital expenditure and external borrowing. Management is responsible for reporting the operation and financial performance of the Company to the Board.

There was no deviation from Code provisions D.1.1 to D.1.2 under the Code.

D.2 Board committees

Pursuant to the Code, board committees should be formed with specific written terms of reference which deal clearly with the authority and duties of the committees.

The Company has prescribed sufficiently clear terms of reference to enable the two Board committees (i.e. the Audit Committee and the Remuneration Committee) to discharge their functions properly and require the two committees to report to the Board on their decisions or recommendations.

There was no deviation from Code provisions D.2.1 to D.2.2 under the Code.

E. COMMUNICATION WITH SHAREHOLDERS

Pursuant to the Code, a board of directors should endeavour to maintain an on-going dialogue with shareholders and, in particular, to communicate through annual general meetings with shareholders and encourage their participation. The company should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the company.

The Company, the Board and the management place high regard on the opinions and needs of shareholders. The Company attempts to enhance the communication with its shareholders through publishing interim and annual results and reports and press releases as well as announcing publicly its latest developments on its website (www.yueda.com.hk). Shareholders may also receive the latest information released by the Company electronically.

The annual general meeting of the Company is a communication channel between the shareholders with the Board members, including independent non-executive directors, and senior management. The Chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders.

During 2009, the Company held two general meetings (including the 2008 annual general meeting), at which a separate resolution was proposed in respect of each motion. The procedures for and the rights of shareholders to demand a poll and details of the proposed resolutions were disclosed in the circular sent to shareholders prior to each of the general meeting.

The Company also facilitates communication with the shareholders through various investor relations activities.

Save for the deviation from Code provision E.1.2 set out page 13, there was no departure from Code provisions E.1.1 and E.2.1 to E.2.3 under the Code.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. DONG Li Yong, aged 39, joined the Group in 1995. Mr. Dong has been an executive director of the Company since 2001. While remaining as an executive director of the Company, he also holds office of vice chairman of the Board and Chief Executive Officer of the Company. He is primarily responsible for the overall business operations of the Group focusing on strategic planning, business development, investors' relationship as well as corporate finance. He graduated from the People's University of China, Beijing in 1995 with a bachelor degree in economics, majored in marketing. In May 2005, Mr. Dong graduated from the Haas School of Business, University of California, Berkeley with a master degree in business administration. Mr. Dong is also a director of each of Yue Da Mining Limited, Yue Da Infrastructure Limited and nine other subsidiaries of Yue Da Mining Limited incorporated in the British Virgin Islands, all being direct/indirect subsidiaries of the Company.

Mr. LIU Xiaoguang, aged 56, joined the Group as a non-executive director in January 2007. He is a senior economist in the PRC. He graduated from Soochow University with a bachelor degree in jurisprudence. He has over 16 years' experience in corporate planning and management. In 1991, Mr. Liu joined Jiangsu Yue Da and had been an assistant to general manager, deputy general manager and chief secretary to the board of directors of Jiangsu Yue Da. Mr. Liu is a director of Yue Da Group (H.K.) Co., Limited.

NON-EXECUTIVE DIRECTORS

Mr Chen Yunhua, aged 56, joined the Group in November 2009, is the Chairman of the Board, he is a senior economist in the PRC. He graduated from 鹽城師範專科學校 with post-secondary qualification, majoring in Chinese in 1977. He has over 30 years' experience in political and economics business management. Previously, Mr Chen assumed supervisory posts at the PRC bureau at Yancheng City, Jiangsu Province, the PRC. He is a deputy to the tenth Provincial People's Congress of Jiangsu, a deputy to the fourth Municipal People's Congress of Yancheng, the vice president of the sixth Municipal Committee of the Chinese People's Political Consultative Conference of Yancheng, a director of Yue Da Group (H.K.) Co., Limited and the chairman of the board of Jiangsu Yue Da. Jiangsu Yue Da is the sole shareholder of Yue Da Group (H.K.) Co., Limited which in turn is the controlling shareholder of the Company.

Mr. QI Guangya, aged 40, joined the Group as non-executive director since January 2007. He is a senior accountant and a certified public accountant in the PRC and a senior international finance manager certified by International Finance Management Association (國際財務管理協會). He graduated from Jiangsu Provincial Party Committee School (江蘇省委黨校) with a postgraduate degree. He has over 19 years' experience in financial management. In 1991, Mr. Qi joined a subsidiary of Jiangsu Yue Da, and has been a director, chief accountant and deputy general manager of Jiangsu Yue Da.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HAN Runsheng, aged 45, has been appointed as an independent non-executive director of the Company in January 2007. He graduated from the Kunming University of Science and Technology with a doctoral degree in mineral resource prospecting and exploration (礦產普查與勘探) and completed the post-doctoral fellowship at the Institute of Geochemistry of the Chinese Academy of Sciences (中國科學院地球化學研究所). Mr. Han was a researcher and tutor to doctoral degree candidates at the Kunming University of Science and Technology. Mr. Han was also the head of Southwest Geology Survey Centre of the Institute of Mineral and Geology Survey of Non-ferrous Metals (有色金屬礦產地質調查中心西南地質調查所所長) and a part-time professor at Southwest University of Science and Technology. In addition, Mr. Han is currently the Cross-Century Young Academic and Technical Leader of the Yunnan Province (雲南省跨世紀中青年學術和技術帶頭人) and the State-level candidate of the project of ''Hundreds, Thousands, and Ten Thousands of Talents for the New Century'' (新世紀百千萬人才工程) of the Ministry of Education. Mr. Han's major areas of research study are the research and teaching of the location forecasting of concealed ore-body, tectonic geochemistry, dynamic tectonic mineralization and mineral and geology survey.

Mr. CAI Chuan Bing, aged 70, has been appointed as an independent nonexecutive director of the Company since 2001. Mr. Cai graduated from the Anhui Finance and Economics Institute (安徽財經學院), majored in accounting. He is a member of the Chinese Institute of Certified Public Accountants, a senior accountant in the PRC, and a member of the International Certified Internal Auditor Association. Prior to his retirement, Mr. Cai was the head of the audit bureau of the Ministry of Communications. He is currently vice chairman of the China Internal Audit Society (中國內部審計學會副會長) with extensive experience in auditing and accounting. Mr. Cai is an independent non-executive director of Beijing Beida Jade Bird Universal Sci-Tech Company Limited, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

Ms. LEUNG Mei Han, aged 51, has been appointed as an independent nonexecutive director of the Company since January 2007. She is a fellow member of CPA Australia. She graduated from the University of Queensland with a bachelor degree in Commerce. Ms. Leung is the chairman and an executive director of Optima Capital Limited (a firm of corporate finance advisers and a licensed corporation under the Securities and Futures Ordinance). She has over 25 years' experience in accounting, securities, corporate finance and related areas. Ms. Leung is also an independent nonexecutive director of Bossini International Holdings Limited and Four Seas Mercantile Holdings Limited, the shares of which are both listed on the Main Board of the Stock Exchange.

Mr. CUI Shuming, aged 72, has been appointed as an independent non-executive director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr. Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd. (浙江興業銀行) and the general manager of its Hong Kong branch. Mr. Cui was a director and deputy chief executive officer of CITIC Ka Wah Bank Limited (currently known as CITIC International Financial Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange), a non executive director of Cheung Tai Hong Holdings Limited (currently known as ITC Properties Group Limited, the shares of which are listed on the Main Board of the Stock Exchange) and an independent non-executive director of Burwill Holdings Limited and China LotSynergy Holdings Limited, the shares of which are listed on the Main Board and the Growth Enterprise Market of the Stock Exchange respectively.

SENIOR MANAGEMENT

Mr. Hu Huaimin, aged 37, the executive vice president of the Company. His major job responsibilities include the operation and management of mining projects and human resources. He graduated from the Law School of Nanjing University with a Bachelor Degree of Law and is qualified as a Chinese lawyer and an economist. He has over 15 years of experience in the Chinese lawyer practice, corporate legal affairs, investment project operation and management, and human resources management. Mr. Hu joined the Group in January 2007 and was appointed the senior manager of the Investment Division and assistant president of the Company.

Mr. Dong Guang Yong, aged 45, joined the Group in November 2007 and is a vice president of the Company. He is primarily responsible for project development. He graduated from Huadong Polytechnic University with a master degree in engineering. He has over 10 years' of experience in project development and corporate management. He was a lecturer of Yancheng Normal College, Jiangsu Province, head of the development section of the management committee of the Jiangsu Yue Da Development Zone, deputy managing director of Yancheng Yue Da Real Estate Company Limited and deputy division head, division head and secretary to the board of Yue Da Investment.

Mr Bai Zhaoxiang, aged 47, joined the Group in August 2008 and is the financial controller and vice president of the Company. Mr Bai is a college graduate majoring in industrial accounting and an senior accountant in the PRC. Mr Bai is primarily responsible for accounting and financial matters. Mr Bai has over 27 years' of experience in accounting. Prior to joining the Company, Mr Bai has worked as a financial controller of a foreign-invested enterprise in the PRC for about 13 years.

COMPANY SECRETARY

Mr Ong Chi King, aged 36, joined the Group in November 2008. Mr Ong holds a Master degree of corporate finance from the Hong Kong Polytechnic University and a Bachelor degree in business administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr Ong has over 14 years' of experience in accounting, auditing and finance.

Directors' Report

The board of directors presents its annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in (i) mining and processing of zinc, lead and iron; and (ii) management and operation of toll highway and bridge in the People's Republic of China (the "PRC").

During the year, the Group disposed of certain subsidiaries. Details of the Group's disposal are set out in Note 40 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 39.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 104.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB42,298,000 on property, plant and equipment.

Details of the above and other movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2009 are set out in Note 35 to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the shares in the Company.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2009, which represent the share premium, contributed surplus and accumulated losses, were RMB515,895,000.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Hu You Lin	(deceased on 28th August, 2009)
Mr. Dong Li Yong	(appointed as acting chairman on 28th August, 2009 and ceased to be acting chairman on 13th November, 2009)
Mr. Liu Xiaoguang	(re-designated from a non-executive director to an executive director on 28th August, 2009)

Non-executive directors:

Mr. Chen Yunhua *(Chairman)*	(appointed on 13th November, 2009)
Mr. Qi Guangya	

Independent non-executive directors:

Mr. Cai Chuan Bing
Ms. Leung Mei Han
Mr. Cui Shu Ming
Mr. Han Run Sheng

Mr Cai Chuan Bing and Mr Cui Shu Ming are the two Directors who will rotate in the coming annual general meeting of the Company to be held in 2010. Mr Cui, being eligible, will offer himself for re-election at such annual general meeting, while Mr. Cai will not offer himself for re-election at such annual general meeting.

In accordance with Article 112 of the Company's Articles of Association, Mr. Chen Yunhua (appointed by the Board as non-executive director with effect from 13th November, 2009) shall hold office only until the first general meeting after his appointment. i.e. the annual general meeting of the Company to be held in 2010 and, being eligible, will offer himself for re-election at the annual general meeting.

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the directors (including those being proposed for re-election at the forthcoming annual general meeting of the Company) has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office of each of the non-executive directors and the independent non-executive directors is the period up to his/her retirement by rotation as required by the Company's Articles of Association.

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

As at 31st December, 2009, the interests of each director and their associates in the shares, 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 of Hong Kong Limited (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 Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the Company/ associated corporation	Capacity	Number of ordinary shares (note i)	Approximate percentage of issued share capital of the Company (note ii)	Number of options granted and underlying shares
Dong Li Yong	The Company	Beneficial Owner	1,500,000 (L)	0.46%	300,000 (note iii)
	The Company	Beneficial Owner	—	—	900,000 (note iv)
Liu Xiaoguang	The Company	Beneficial Owner	—	—	300,000 (note iii)
	The Company	Beneficial Owner	—	—	600,000 (note iv)
Qi Guangya	The Company	Beneficial Owner	—	—	600,000 (note iv)

notes:

i. The letter "L" represents the director's long position in the ordinary shares of the Company.

ii. The percentage of issued share capital of the Company is calculated by reference to 325,569,333 shares in issue as at 31st December, 2009.

iii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the directors on 27th May, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$1.06 per share during the period from 28th May, 2009 to 26th May, 2019.

iv. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the directors on 27th May, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$1.06 per share during the period from 9th July, 2009 to 24th May, 2018.

Other than as disclosed above and in this annual report, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st December, 2009.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and will expire on 11th November, 2011. Under the Scheme, the directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

(i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any entity in which the Group holds an equity interest ("Invested Entity"), including any executive director of the Company, any of such subsidiaries or any Invested Entity;

(ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and

(vii) any other group or classes of participants from time to time determined by the directors as having contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of shares in the Company or other securities of the Group to any person who fall within any of the above classes of participants shall not, solely by itself, unless the directors otherwise determine, be construed as a grant of option under the Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time. Unless with prior approval from the Company's shareholders, the total number of shares in respect of which options might be granted at the same time under the Scheme and any other share option scheme of the Group was not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (i.e. on 12th November, 2001, the 10% limit being 20,000,000 shares of the Company). In the annual general meeting of the Company held on 27th June, 2007, such 10% limit was approved to be refreshed and re-set at 28,358,133 shares of the Company, being 10% of the shares of the Company in issue at the date of the said annual general meeting.

Without prior approval from the Company's shareholders, the number of shares in respect of which options may be granted to any participant in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted to directors, chief executives or substantial shareholders of the Company or any of their respective associates must be approved by independent non-executive directors of the Company (excluding any independent non-executive director who is the grantee of the options). Options granted to substantial shareholders or independent non-executive directors or any of their respective associates in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

The subscription price for shares under the Scheme shall be a price determined by the directors, but shall not be less than the higher of (i) the closing price of shares as stated in the Stock Exchange's daily quotations on the date of the offer for grant; (ii) the average closing price of shares as stated in the daily quotations of the Stock Exchange for the five business days immediately preceding the date of the offer for grant; and (iii) the nominal value of the shares.

Further particulars of the Scheme are set out in Note 36 to the consolidated financial statements.

Details of movements during the year in the options granted by the Company under the Scheme are as follows:

Names and classes of the participants	Exercisable period	Exercise price per share HK$ (note i)	Outstanding at 1st January, 2009	Granted during the year	Cancelled with modification during the year	Granted with modification during the year	Forfeited during the year	Outstanding at 31st December, 2009	Closing price per share immediately before the date of offer HK$
Directors of the Company:									
Mr. Hu You Lin (deceased) (note ii)	25th May, 2008 to 24th May, 2018	4.85	1,800,000	–	(1,800,000)	–	–	–	4.89
	28th May, 2009 to 26th May, 2019	1.06	–	700,000	–	–	–	700,000	1.06
	9th July, 2009 to 24th May, 2018	1.06	–	–	–	1,800,000	–	1,800,000	1.06
Mr. Dong Li Yong	25th May, 2008 to 24th May, 2018	4.85	900,000	–	(900,000)	–	–	–	4.89
	28th May, 2009 to 26th May, 2019	1.06	–	300,000	–	–	–	300,000	1.06
	9th July, 2009 to 24th May, 2018	1.06	–	–	–	900,000	–	900,000	1.06
Mr. Liu Xiaoguang	25th May, 2008 to 24th May, 2018	4.85	600,000	–	(600,000)	–	–	–	4.89
	28th May, 2009 to 26th May, 2019	1.06	–	300,000	–	–	–	300,000	1.06
	9th July, 2009 to 24th May, 2018	1.06	–	–	–	600,000	–	600,000	1.06

Names and classes of the participants	Exercisable period	Exercise price per share HK$ (note i)	Outstanding at 1st January, 2009	Granted during the year	Cancelled with modification during the year	Granted with modification during the year	Forfeited during the year	Outstanding at 31st December, 2009	Closing price per share immediately before the date of offer HK$
Mr. Qi Guangya	25th May, 2008 to 24th May, 2018	4.85	600,000	–	(600,000)	–	–	–	4.89
	9th July, 2009 to 24th May, 2018	1.06	–	–	–	600,000	–	600,000	1.06
Total for directors of the Company			3,900,000	1,300,000	(3,900,000)	3,900,000	–	5,200,000	
Employees:									
In aggregate	25th May, 2008 to 24th May, 2018	4.85	8,400,000	–	(6,210,000)	–	(2,190,000)	–	4.89
	28th May, 2009 to 26th May, 2019	1.06	–	4,590,000	–	–	–	4,590,000	1.06
	9th July, 2009 to 24th May, 2018	1.06	–	–	–	6,210,000	–	6,210,000	1.06
Total for employees			8,400,000	4,590,000	(6,210,000)	6,210,000	(2,190,000)	10,800,000	
Total			12,300,000	5,890,000	(10,110,000)	10,110,000	(2,190,000)	16,000,000	

notes:

(i) Subsequent to the end of the reporting period, the Company adjusted the exercise price of the outstanding options from HK$1.06 to HK$0.9063 per share as a result of the completion of the open offer in March 2010 as detailed in Note 48. The adjustment became effective on 4th March, 2010 and the total number of outstanding options was increased to 18,361,937.

(ii) 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's share option scheme disclosed above, at no time during the year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the year ended 31st December, 2009 and which were not exempted under Rule 14A.31, Rule 14A.33 or Rule 14A.65 of the Listing Rules.

i. Tenancy agreement ("HK Office Tenancy Agreement") with Yue Da Group (H.K.) Co., Limited ("Yue Da HK") and Yue Da Enterprise (Group) H.K. Co. Ltd. ("Yue Da Enterprise")

On 24th August, 2007, the Company (as tenant) entered into the HK Office Tenancy Agreement with Yue Da HK (as landlord) for renting the Company's office in Hong Kong for a term of three years from 1st September, 2007 to 31st August, 2010. The rental payable to Yue Da HK is HK$200,000 per month (excluding rates, management fees and utility charges). Yue Da HK is a controlling shareholder of the Company and accordingly is a connected party. Further, the Company has also entered into two tenancy agreements with Yue Da HK and Yue Da Enterprise for staff quarter purpose, each for a term of three years from 1st January, 2007 to 31st December, 2009 and at a monthly rental of HK$25,000 and HK$20,000, respectively. Yue Da Enterprise is a fellow subsidiary of the Company and deemed to be a connected party. During the year ended 31st December, 2009, the total rentals paid by the Company to Yue Da HK and Yue Da Enterprise are HK$2,700,000 (equivalent to RMB2,381,000) and HK$240,000 (equivalent to RMB211,000), respectively. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 27th August, 2007.

ii. Ore supply agreement and composite services agreement with Xiangyun County Feilong Industrial Co., Ltd. ("Feilong Industrial")

On 30th November, 2007, Baoshan Feilong Nonferrous Metal Co. Ltd., Yaoan Feilong Mining Co., Ltd. and Tengchong Ruitu Mining and Technology Company Limited, all being subsidiaries of the Company, and Puer Feilong Mining Co., Ltd., which was a subsidiary of the Company until 18th March, 2009, entered into an ore supply agreement and composite services agreement with Feilong Industrial, both for a term of three years commencing 1st January, 2008 and expiring on 31st December, 2010. As the controlling shareholder of Feilong Industrial, Mr. Yang Long, was also a then substantial shareholder of the Company, the above transactions constituted non-exempt connected transactions and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual cap amount under the ore supply agreement for each of the three years ending 31st December, 2010 is RMB600 million, RMB660 million and RMB726 million respectively, while the annual cap amount under the composite services agreement for each of the three years ending 31st December, 2010 is RMB40 million, RMB44 million and RMB48.4 million respectively. Details of the transactions were disclosed in the circular of the Company dated 12th December, 2007. The transactions were approved in the extraordinary general meeting of the Company held on 28th December, 2007. During the year ended 31st December, 2009, the sales of finished goods in relation to the ore supply agreement and purchase of materials in relation to the composite services agreement by the Group to Feilong Industrial and its affiliates are RMB34,650,000 and nil, respectively.

Pursuant to Rule 14A.38 of the Listing Rules, the board of directors engaged the auditor of the Company to perform certain agreed-upon procedures in respect of the continuing connected transactions of the Group. The auditor has reported the factual findings on these procedures to the board of directors. The independent non-executive directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions were entered into by the Group in the ordinary course of its business; on normal commercial terms, or on terms no less favourable than terms available to or from (as the case may be) independent third parties, and in accordance with the terms of the agreements governing such transactions that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 45 to the consolidated financial statements.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2009, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	**Name of the company/ associated corporation**	**Capacity**	**Number of issued ordinary shares held** (note i)	**Percentage of the issued share capital of the Company** (note ii)
Yue Da HK	The Company	Beneficial owner	120,257,000 (L)	36.94%
Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") (note iii)	The Company	Interest of a controlled corporation	120,257,000 (L)	36.94%
Feilong Holdings Limited	The Company	Beneficial owner	30,333,333 (L)	9.32%
Pure Talent Investments Limited (note iv)	The Company	Interest of a controlled corporation	30,333,333 (L)	9.32%
Mr. Yang Long (note iv)	The Company	Interest of a controlled corporation	30,333,333 (L)	9.32%

notes:

(i) The letter "L" represents the entity's long positions in the shares.

(ii) The percentage of issued share capital of the Company is calculated by reference to 325,569,333 shares in issue as at 31st December, 2009.

(iii) Jiangsu Yue Da holds 100% interests in Yue Da HK and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da HK under the SFO.

(iv) Mr. Yang Long holds 100% interest in Pure Talent Investments Limited which in turn holds 100% interest in Feilong Holdings Limited.

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2009, had interests of 5% or more in any shares or underlying shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 59% of the Group's total revenue and the largest customer accounted for approximately 22% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 42% of the Group's total purchases and the largest suppliers accounted for approximately 12% of the Group's total purchases.

As at 31st December, 2009, Mr. Yang Long, a shareholder holding more than 5% of the Company's share capital, had beneficial interest in one of the Group's five largest customers. All transactions between the Group and the customer concerned were carried out on normal commercial terms.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive for directors and eligible employees. Details of the scheme are set out in the section headed "Share Options" in this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 48 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chen Yunhua
CHAIRMAN
Hong Kong

9th April, 2010

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF YUE DA MINING HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Yue Da Mining Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 103, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

9th April, 2010

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2009

	NOTES	2009 RMB'000	2008 RMB'000
Revenue	6	**209,713**	268,263
Cost of sales		**(128,567)**	(153,165)
Direct operating costs		**(31,790)**	(32,132)
Gross profit		**49,356**	82,966
Other income		**12,553**	146
Other gains and losses	8	**(2,435)**	20,911
Impairment losses on assets	9	**—**	(261,296)
Administrative expenses		**(67,704)**	(69,635)
Finance costs	11	**(32,055)**	(25,431)
Other expenses	12	**—**	(18,443)
Loss before tax		**(40,285)**	(270,782)
Income tax (expense) credit	13	**(6,895)**	31,032
Loss and total comprehensive expense for the year	14	**(47,180)**	(239,750)
Loss and total comprehensive expense for the year attributable to:			
— Owners of the Company		**(52,881)**	(240,200)
— Minority interests		**5,701**	450
		(47,180)	(239,750)
Loss per share	15		
— Basic		**(16.2) cents**	(75.1) cents
— Diluted		**(16.2) cents**	(75.1) cents

Consolidated Statement of Financial Position

At 31st December, 2009

	NOTES	**2009 RMB'000**	2008 RMB'000
Non-current Assets			
Property, plant and equipment	16	**193,748**	179,880
Prepaid lease payments	17	**2,633**	2,884
Mining rights	18	**1,140,244**	1,158,096
Goodwill	19	**482**	482
Other intangible assets	20	**84,235**	100,824
Long term deposits	21	**2,848**	3,525
Other financial asset	22	**22,449**	26,921
		1,446,639	1,472,612
Current Assets			
Prepaid lease payments	17	**208**	232
Inventories	23	**18,184**	20,720
Trade and other receivables	24	**18,038**	18,196
Amounts due from related companies	25	**26,864**	17,053
Bank balances and cash	26	**34,481**	128,856
		97,775	185,057
Current Liabilities			
Trade and other payables	27	**25,542**	42,101
Amounts due to related companies	25	**—**	5,168
Amounts due to directors	28	**352**	352
Taxation payable		**3,047**	1,539
Promissory notes — due within one year	29	**2,733**	8,320
Bank borrowings — due within one year	30	**61,460**	53,465
Consideration payable for acquisition of subsidiaries	31	**—**	73,774
		93,134	184,719
Net Current Assets		**4,641**	338
Total Assets Less Current Liabilities		**1,451,280**	1,472,950

	NOTES	2009 RMB'000	2008 RMB'000
Capital and Reserves			
Share capital	35	**33,122**	33,122
Reserves		**493,802**	530,928
Equity attributable to owners of the Company		**526,924**	564,050
Minority interests		**126,184**	127,005
Total equity		**653,108**	691,055
Non-current Liabilities			
Other payables	27	**21,970**	21,266
Amounts due to related companies	25	**60,155**	62,961
Promissory notes — due after one year	29	**68,820**	74,554
Bank borrowings — due after one year	30	**274,620**	319,924
Consideration payable for acquisition of subsidiaries	31	**69,121**	—
Provisions	32	**2,037**	1,862
Deferred tax liabilities	33	**267,880**	265,946
Deferred income	34	**33,569**	35,382
		798,172	781,895
		1,451,280	1,472,950

The consolidated financial statements on pages 39 to 103 were approved and authorised for issue by the board of directors on 9th April, 2010 and are signed on its behalf by:

Mr. Dong Li Yong
DIRECTOR

Mr. Liu Xiaoguang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2009

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Non-distributable reserves RMB'000 (note i)	Special reserve RMB'000 (note ii)	Capital contribution RMB'000 (note iii)	Share options reserve RMB'000	Other reserve RMB'000 (note iv)	Retained profits (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1st January, 2008	31,208	401,873	7,442	157,178	–	714	(59,372)	140,771	679,814	113,014	792,828
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(240,200)	(240,200)	450	(239,750)
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 costs attributable to placing of new shares	–	(1,824)	–	–	–	–	–	–	(1,824)	–	(1,824)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(8,440)	(8,440)
Recognition of equity-settled share-based payments	–	–	–	–	–	15,096	–	–	15,096	–	15,096
Deemed contribution from the ultimate parent	–	–	–	–	13,270	–	–	–	13,270	–	13,270
Deemed contribution from a shareholder	–	–	–	–	9,452	–	–	–	9,452	–	9,452
Transfer	–	–	14,035	–	–	–	–	(14,035)	–	–	–
At 31st December, 2008 and 1st January, 2009	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 year	–	–	–	–	–	–	–	(52,881)	(52,881)	5,701	(47,180)
Release of non-distributable reserve upon disposal of subsidiaries	–	–	(802)	–	–	–	–	802	–	–	–
Dividend paid to minority shareholders	–	–	–	–	–	–	–	–	–	(6,522)	(6,522)
Forfeiture of share options	–	–	–	–	–	(2,682)	–	2,682	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	6,077	–	–	6,077	–	6,077
Deemed contribution from the ultimate parent	–	–	–	–	8,062	–	–	–	8,062	–	8,062
Deemed contribution from a shareholder	–	–	–	–	1,616	–	–	–	1,616	–	1,616
Transfer	–	–	1,718	–	–	–	–	(1,718)	–	–	–
At 31st December, 2009	33,122	487,322	22,393	157,178	32,400	18,460	(59,372)	(164,579)	526,924	126,184	653,108

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 the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Co. Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of the ultimate parent, Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"). On 8th November, 2008, a settlement deed was entered with the vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for the termination of the acquisition. The entire amount was subsequently paid by Yue Da Enterprise for the Group without any consideration, and was recognised as a deemed capital contribution from Jiangsu Yue Da for the year ended 31st December, 2008 as it is the ultimate parent of the Company and Yue Da Enterprise;

(b) non-current interest-free loans granted and extended by Yue Da Enterprise. The differences of the nominal value and the fair value of the non-current interest-free loans on their inception date and extension date amounting to RMB5,443,000 and RMB8,062,000, respectively, were recognised as deemed contribution by the ultimate parent for the year ended 31st December, 2008 and 2009, respectively. Details are set out in Note 25;

(c) extension of repayment date of a portion of the promissory notes by an affiliate of Mr. Yang Long. The difference of the carrying value and the fair value of the extended promissory notes on the date of its extension amounting to RMB1,616,000 (2008: RMB9,452,000) was recognised as a deemed contribution by Mr. Yang Long. Mr. Yang Long was a substantial shareholder of the Company during the year, the minority shareholder of the Company's mining subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), and has significant influence over the mining subsidiaries of the Company. Mr. Yang Long and his affiliates are related parties of the Company. Details are set out in Note 29.

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

Consolidated Statement of Cash Flows

For the year ended 31st December, 2009

	NOTES	**2009** **RMB'000**	2008 RMB'000
OPERATING ACTIVITIES			
Loss before tax		**(40,285)**	(270,782)
Adjustments for:			
Finance costs		**32,055**	25,431
Depreciation of property, plant and equipment		**23,589**	23,129
Amortisation of mining rights		**22,111**	28,323
Amortisation of other intangible assets		**16,589**	16,592
Share-based payment expenses		**6,077**	15,096
Loss from change in fair value of financial asset designated as at fair value through profit or loss		**4,472**	2,936
Loss on disposal of property, plant and equipment		**1,316**	63
Release of prepaid lease payments		**140**	134
Income arising on extension of consideration payable for acquisition of subsidiaries at initial recognition		**(10,626)**	—
Imputed interest income on deferred income		**(1,813)**	—
Gain on disposal of subsidiaries		**(1,358)**	—
Interest income		**(114)**	(146)
Impairment losses on assets		**—**	261,296
Write-down of inventories		**—**	1,716
Operating cash flows before movements in working capital		**52,153**	103,788
Increase in long term deposits		**—**	(3,525)
Decrease in inventories		**2,057**	4,375
(Increase) decrease in trade and other receivables		**(344)**	12,693
Decrease in amounts due from related companies		**9,637**	5,582
Decrease in trade and other payables		**(20,733)**	(15,597)
Decrease in amounts due to related companies		**—**	(3,599)
Cash generated from operations		**42,770**	103,717
Income tax paid		**(4,254)**	(4,906)
NET CASH FROM OPERATING ACTIVITIES		**38,516**	98,811

	NOTES	2009 RMB'000	2008 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(42,298)**	(49,375)
Advance to related companies		**(19,448)**	—
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	40	**5,920**	—
Proceeds from disposal of property, plant and equipment		**363**	322
Interest received		**114**	146
Acquisition of subsidiaries	39	**—**	(193,617)
Prepaid lease payments		**—**	(134)
NET CASH USED IN INVESTING ACTIVITIES		**(55,349)**	(242,658)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(116,844)**	(62,095)
Repayment of promissory notes		**(13,786)**	(26,802)
Interest paid		**(14,854)**	(16,960)
Dividend paid to minority shareholders		**(6,522)**	(8,440)
(Repayment to) advance from related companies		**(5,168)**	78,767
Bank borrowings raised		**80,000**	100,000
Proceeds on placing of new shares		**—**	91,395
Proceeds from issue of shares upon exercise of share options		**—**	1,536
Advance from directors		**—**	352
Payments on repurchase of shares		**—**	(4,489)
Expenses on placing of new shares		**—**	(1,824)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(77,174)**	151,440
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(94,007)**	7,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**128,856**	128,952
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(368)**	(7,689)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		**34,481**	128,856

1. GENERAL

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company are listed on the Stock Exchange. In the opinion of the directors of the Company, the Company's parent is Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a company incorporated in Hong Kong with limited liability, and the Company's ultimate parent is Jiangsu Yue Da, a state-owned enterprise established with limited liability in the PRC. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are (i) mining and processing of zinc, lead and iron; and (ii) management and operation of toll highway and bridge in the PRC.

As all of the Group's operations are in the PRC, the consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (collectively referred to as the "Group") in light of the Group's recurring losses, approximately RMB47 million loss reported for the current year and accumulated losses of approximately RMB165 million as at 31st December, 2009. The directors of the Company are also taking active steps to improve the liquidity position of the Group. These steps include (i) implementing stringent cost control measures; and (ii) raising gross cash proceeds of approximately HKD391 million (equivalent to approximately RMB344 million) through an open offer of 325,869,333 new shares at HK$1.2 per new share as set out in Note 48. The directors of the Company are satisfied that 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 consolidated financial statements have been prepared on a going concern basis.

3A. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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
HK(IFRIC) — Int 18	Transfers of Assets from Customers
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

Except as disclosed below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statement of the Group for the current and prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

3A. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — CONTINUED

HKFRS 8 Operating Segments

HKFRS 8 is a disclosure standard that has resulted in changes in the basis of measurement of segment profit or loss of the Company (see Note 7).

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

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[6]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemptions from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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

2 Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate

3 Effective for annual periods beginning on or after 1st January, 2010

4 Effective for annual periods beginning on or after 1st February, 2010

5 Effective for annual periods beginning on or after 1st July, 2010

6 Effective for annual periods beginning on or after 1st January, 2011

7 Effective for annual periods beginning on or after 1st January, 2013

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st January, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

3A. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") — CONTINUED

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3B. CHANGE IN ACCOUNTING ESTIMATE

With effect from 1st January, 2009, other intangible assets are to be amortised on a straight-line basis. In previous year, they were amortised on a unit-of-usage basis. In the opinion of the directors of the Company, straight-line basis better reflects the expected pattern of consumption of economic benefits embodied in the assets. The change in accounting estimate has no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods or services, or for administrative purpose, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Property, plant and equipment — continued

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Prepaid lease payments

Prepaid lease payments represent the up-front payments to lease medium-term leasehold land interests in the PRC and are charged to profit or loss on a straight-line basis over the term of the relevant leases.

Mining rights

Mining rights are stated at cost less subsequent accumulated amortisation and accumulated impairment losses. Mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Other intangible assets

Other intangible assets, which represent the cost incurred to obtain the right to operate a highway and bridge infrastructure, are stated at cost less amortisation and any accumulated impairment losses. Amortisation is provided to write off the cost of other intangible assets over the remaining concessionary period of the toll highway and bridge, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are those designated as at FVTPL on initial recognition.

A financial asset may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

Financial instruments — continued

Financial assets — continued

Financial assets at fair value through profit or loss — continued

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including interest-bearing long term deposits, trade and other receivables, amounts due from related companies and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Trade receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that loans and receivables is impaired, and is measured as the difference between loans and receivables' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Impairment of financial assets — continued

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of loans and receivables at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to related companies/ directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instrument is recognised and deducted directly in equity. No gain or loss is recognised in profit and loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

The Group is required to make payments for restoration and rehabilitation of certain land after the underground sites have been mined. Provision for restoration, rehabilitation and environmental cost is required when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured in accordance with the relevant rules and regulations applicable in the PRC at the end of the reporting period, and using the cash flows estimated to settle the present obligation. Its carrying amount is the present value of those cash flows (where the effect is material).

Provision for restoration, rehabilitation and environmental expenses is recognised as part of the cost of mining shafts based on estimation of future restoration costs. This cost is charged to profit or loss through amortisation of the assets, which are amortised using the unit of production method based on the estimated extraction volume over the estimated total proved and probable mineral reserves.

Government grants

Government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants related to imputed interest portion of non-current mining fee payables are presented as deferred income and are released to income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of sales related taxes.

Toll revenue is recognised on receipt.

Revenue from sale of goods are recognised when the goods are delivered and title has passed.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases where substantially all the risks and rewards of ownerships of assets remain with the lessors are accounted as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Leasing — continued

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification. To the extent the allocation of the lease payments can be made reliably, leasehold interest in land are accounted for as operating leases and amortised over the lease term on a straight-line basis.

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in the share options reserve will be transferred to share premium.

At the time when the Group modifies the terms and conditions of the share options previously granted, if the modification increases the fair value of the equity instruments granted measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share options reserve will be transferred to accumulated losses.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of mining rights

The Group's management determines the estimated useful lives of 9 to 25 years for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of three to eight years. The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

Amortisation rates are determined based on estimated proven and probable mine reserve volume with reference to the independent technical assessment report. The estimates involve subjective judgements in developing such information and have taken into account the technical information about each mine. The capitalised cost of mining rights are amortised using the units of production method. Any change to the estimated proven and probable mine reserves will affect the amortisation charge of those mining rights. Management will reassess the useful lives whenever the ability to renew the mining rights and business licences is changed.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Operation period of toll highway and bridge

The operating period granted to the Group in respect of its toll highway and bridge will end in 2013. The Group is currently negotiating with relevant authorities to extend the operating period for a further 10 years to end of 2023. The operation rights of the toll highway and bridge is being amortised on the basis that the operating period will end in 2013. Should there be an extension of the operating period, the basis of the amortisation will be revised.

Fair value of other financial assets

Other financial assets are valued using a discounted cash flow model, based on the estimated distributable profits of Baoshan Feilong discounted using the applicable prevailing market rate. The estimation of distributable profits involves assumptions, such as selling quantities and market prices of minerals. Should there be significant changes in these assumptions or prevailing market rate, the fair value of other financial assets will change from period to period.

Provisions for restoration, rehabilitation and environmental costs

Provisions for restoration, rehabilitation and environmental costs are discounted to their present value where the effect is material. However, significant changes in the regulations in relation to such costs will result in changes to the provision amounts from period to period.

6. REVENUE

Revenue represents the aggregate of the net amounts received and receivable for toll revenue and the goods sold during the year and is analysed as follows:

	2009 **RMB'000**	2008 RMB'000
Toll revenue	**55,597**	54,473
Sale of zinc, lead and iron ore concentrates	**154,116**	213,790
	209,713	268,263

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1st January, 2009. HKFRS 8 is a disclosure standard that 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") for the purpose of allocating resources to segments and assessing 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. The executive directors of the Company are identified as the CODM and the internal reports that they regularly review for the purpose of assessing performance and allocation of resources are the revenue and segment results derived from the Group's different business activities.

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. However, the adoption of HKFRS 8 has changed the basis of measurement of segment profit or loss. Certain expenses are included in the measurement of segment results after the adoption of HKFRS 8, since they are regularly reviewed by CODM. In the past, these expenses were excluded from the measurement of segment results under HKAS 14. 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").

Information regarding the above segments is reported below. Amounts reported for prior year have been restated to conform to the requirement of HKFRS 8.

7. SEGMENT INFORMATION — CONTINUED

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

For the year ended 31st December, 2009

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	**55,597**	**154,116**	**209,713**
Segment profit (loss)	**16,899**	**(16,770)**	**129**
Other income			**12,553**
Other gains and losses			
— Net foreign exchange gains			**1,995**
— Gain on disposal of subsidiaries			**1,358**
— Loss from change in fair value of financial asset designated as at FVTPL			**(4,472)**
Central administration costs			**(19,793)**
Finance costs			**(32,055)**
Loss before tax			**(40,285)**

For the year ended 31st December, 2008

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	54,473	213,790	268,263
Segment profit (loss)	14,882	(235,431)	(220,549)
Other income			146
Other gains and losses			
— Net foreign exchange gains			23,910
— Loss from change in fair value of financial asset designated as at FVTPL			(2,936)
Central administration costs			(27,479)
Finance costs			(25,431)
Other expenses			(18,443)
Loss before tax			(270,782)

7. SEGMENT INFORMATION — CONTINUED

Segment revenues and results — continued

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of other income, other gains and losses, central administration costs, finance costs and other expenses. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, so no segment assets and liabilities are presented.

Other segment information

Amounts included in the measure of segment profit (loss):

For the year ended 31st December, 2009

	Toll Road Operations RMB'000	**Mining Operations RMB'000**	**Total RMB'000**
Depreciation and amortisation	**17,358**	**45,038**	**62,396**

For the year ended 31st December, 2008

	Toll Road Operations RMB'000	Mining Operations RMB'000	Total RMB'000
Depreciation and amortisation	17,888	50,267	68,155
Impairment losses on assets	—	261,296	261,296

Revenue from major products and services

The analysis of the Group's revenues from its major products and services are set out in Note 6.

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. More than 98% (2008: 98%) of the Group's non-current assets excluding other financial assets are located in the PRC.

7. SEGMENT INFORMATION — CONTINUED

Information about major customers

Revenues from customers contributing over 10% of the total sales of the Group are as follows:

	2009 **RMB'000**	2008 RMB'000
Customer A (note i)	**47,907**	104,503
Customer B (note i)	**42,321**	— (note ii)

notes:

(i) Revenues from mining operations.

(ii) The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER GAINS AND LOSSES

	2009 **RMB'000**	2008 RMB'000
Net foreign exchange gains	**1,995**	23,910
Gain on disposal of subsidiaries (Note 40)	**1,358**	—
Loss from change in fair value of financial asset designated as at FVTPL (Note 22)	**(4,472)**	(2,936)
Loss on disposal of property, plant and equipment	**(1,316)**	(63)
	(2,435)	20,911

9. IMPAIRMENT LOSSES ON ASSETS

	2009 **RMB'000**	2008 RMB'000
Impairment losses on:		
— mining rights (Note 18)	**—**	214,142
— property, plant and equipment (Note 16)	**—**	40,338
— goodwill (Note 19)	**—**	6,816
	—	261,296

10. DIRECTORS AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the nine (2008: nine) directors were as follows:

2009

	Executive directors			Non-executive directors						
	Mr. Hu You Lin RMB'000 (note i)	**Mr. Dong Li Yong RMB'000**	**Mr. Liu Xiaoguang RMB'000**	**Mr. Chen Yunhua RMB'000 (note ii)**	**Mr. Qi Guangya RMB'000**	**Mr. Cai Chuan Bing RMB'000**	**Ms. Leung Mei Han RMB'000**	**Mr. Cui Shu Ming RMB'000**	**Mr. Han Run Sheng RMB'000**	**Total RMB'000**
Fees	**–**	**–**	**–**	**–**	**–**	**132**	**220**	**220**	**132**	**704**
Other emoluments										
Salaries and other benefits	**705**	**1,241**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,946**
Contributions to retirement benefits schemes	**–**	**124**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**124**
Share-based payments	**931**	**444**	**339**	**–**	**209**	**–**	**–**	**–**	**–**	**1,923**
Total emoluments	**1,636**	**1,809**	**339**	**–**	**209**	**132**	**220**	**220**	**132**	**4,697**

2008

	Executive directors			Non-executive directors						
	Mr. Hu You Lin RMB'000	Mr. Dong Li Yong RMB'000	Mr. Chen Gang RMB'000 (note iii)	Mr. Liu Xiaoguang RMB'000	Mr. Qi Guangya RMB'000	Mr. Cai Chuan Bing RMB'000	Ms. Leung Mei Han RMB'000	Mr. Cui Shu Ming RMB'000	Mr. Han Run Sheng RMB'000	Total RMB'000
Fees	–	–	–	–	–	134	223	223	134	714
Other emoluments										
Salaries and other benefits	1,965	1,241	–	–	–	–	–	–	–	3,206
Contributions to retirement benefits schemes	–	124	–	–	–	–	–	–	–	124
Share-based payments	2,210	1,105	–	736	736	–	–	–	–	4,787
Total emoluments	4,175	2,470	–	736	736	134	223	223	134	8,831

notes:

(i) This director deceased on 28th August, 2009.

(ii) This director was appointed on 13th November, 2009.

(iii) This director resigned on 26th May, 2008.

10. DIRECTORS AND EMPLOYEES' REMUNERATION — CONTINUED

Of the five individuals with the highest emoluments in the Group, two (2008: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2008: three) individuals, none of which exceeded HK$1,000,000 individually, was as follows:

	2009 **RMB'000**	2008 RMB'000
Salaries and other benefits	**1,014**	1,178
Contributions to retirement benefits schemes	**58**	45
Share-based payments	**888**	1,907
	1,960	3,130

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

11. FINANCE COSTS

	2009 **RMB'000**	2008 RMB'000
Interest on bank borrowings wholly repayable within five years	**9,890**	10,160
Effective interest on promissory notes	**7,339**	8,951
Imputed interest on:		
— non-current interest-free amount due to a related company	**5,260**	—
— consideration payable for acquisition of subsidiaries (Note 31)	**6,121**	4,746
— other payables (Note 27)	**1,813**	—
— provisions (Note 32)	**175**	117
Bank loan arrangement fees	**1,457**	1,457
	32,055	25,431

12. OTHER EXPENSES

The amounts in 2008 represented the professional fees of RMB10,616,000 in relation to the acquisition of Hong Ling and the compensation paid to vendor of RMB7,827,000 in relation of termination of the acquisition of Hong Ling pursuant to a settlement deed entered into with the vendor during the year ended 31st December, 2008. The entire compensation amount was subsequently paid by Yue Da Enterprise, a fellow subsidiary of the Company, for the Group without any consideration. Therefore, the amount was recognised as a deemed capital contribution from Jiangsu Yue Da which is the ultimate parent of the Company and Yue Da Enterprise.

13. INCOME TAX EXPENSE (CREDIT)

	2009 RMB'000	2008 RMB'000
PRC Enterprise Income Tax		
— current year	**5,559**	4,379
— underprovision in prior years	**203**	—
	5,762	4,379
Deferred tax (Note 33)		
— current year	**1,133**	(35,411)
	6,895	(31,032)

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

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining"), Weng Niu Te Qi San Xiang Mining Co., Ltd. ("San Xiang"), Weng Niu Te Qi Xiang Da Mining Co., Ltd. ("Xiang Da") and Chi Feng Yi Da Mining Co., Ltd. ("Yi Da") is 25% from 1st January, 2008 onwards.

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 for Baoshan Feilong is 2006. Accordingly, they were all within the tax reduction period and subject to 7.5% tax rate during the year ended 31st December, 2009.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 18% for the year ended 31st December, 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 year ended 31st December, 2009.

According to the EIT Law and relevant regulation, the Company's PRC subsidiaries situated in the western region of the PRC will continue to enjoy the preferential tax rate of 15% until 2010. All of them which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of tax reductions will continue until 2011, except that in the case of Baoshan Feilong, 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 statutory tax rate of 25%. Langfang Tongda 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.

13. INCOME TAX EXPENSE (CREDIT) — CONTINUED

The income tax expense (credit) for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2009 RMB'000	2008 RMB'000
Loss before tax	**(40,285)**	(270,782)
Tax at the domestic income tax rate of 15% (note)	**(6,043)**	(40,617)
Tax effect of expenses not deductible for tax purpose	**7,243**	7,675
Effect of tax reduction/exemption granted to PRC subsidiaries	**(1,291)**	(9,346)
Tax effect of income not taxable for tax purpose	**(1,858)**	(4,169)
Underprovision in prior years	**203**	—
Tax effect of tax losses not recognised	**3,420**	2,548
Deferred tax provided on dividends withholding tax on PRC subsidiaries	**726**	4,992
Effect of different tax rates of subsidiaries	**4,495**	7,885
Income tax expense (credit)	**6,895**	(31,032)

note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

14. LOSS FOR THE YEAR

	2009 RMB'000	2008 RMB'000
Loss for the year has been arrived at after charging:		
Cost of inventories sold	**128,567**	151,449
Employee benefit expense, including directors' remuneration (Note 10) and share-based payment expense (Note 36)	**56,813**	78,871
Depreciation of property, plant and equipment	**23,589**	23,129
Amortisation of mining rights (included in cost of sales)	**22,111**	28,323
Amortisation of other intangible assets (included in direct operating costs)	**16,589**	16,592
Auditors' remuneration	**2,000**	2,000
Release of prepaid lease payments	**140**	134
Write-down of inventories	**—**	1,716
and after crediting:		
Income arising on extension of consideration payable for acquisition of subsidiaries (Note 31)	**10,626**	—
Imputed interest income on deferred income (Note 34)	**1,813**	—
Interest income from bank deposits	**114**	146

15. LOSS PER SHARE

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

	2009 RMB'000	2008 RMB'000
Loss		
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(52,881)**	(240,200)

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**325,569,333**	319,917,010

The calculation of diluted loss per share for both years has not assumed the exercise of the Group's outstanding share options as these potential ordinary shares are anti-dilutive during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1st January, 2008	47,269	—	24,249	44,620	7,989	7,673	20,299	152,099
Additions	217	1,792	3,859	6,213	2,397	1,925	34,894	51,297
Acquired on acquisition of subsidiaries (Note 39)	1,225	7,399	13,069	36,054	—	1,605	239	59,591
Disposals	—	—	—	—	(104)	(410)	—	(514)
Transfer	743	15,726	5,143	1,543	710	—	(23,865)	—
At 31st December, 2008	49,454	24,917	46,320	88,430	10,992	10,793	31,567	262,473
Additions	—	905	1,545	5,970	382	535	32,961	42,298
Disposals	—	—	—	(1,662)	(404)	(473)	—	(2,539)
Disposed upon disposal of subsidiaries	(4,149)	—	—	(2,570)	—	(561)	(2,843)	(10,123)
Transfer	197	769	—	104	—	—	(1,070)	—
At 31st December, 2009	45,502	26,591	47,865	90,272	10,970	10,294	60,615	292,109
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2008	4,045	—	2,496	7,497	3,818	1,399	—	19,255
Charge for the year	2,790	1,248	7,187	7,890	1,999	2,015	—	23,129
Impairment loss recognised in profit or loss	7,355	1,254	7,071	11,217	152	—	13,289	40,338
Eliminated on disposals	—	—	—	—	(48)	(81)	—	(129)
At 31st December, 2008	14,190	2,502	16,754	26,604	5,921	3,333	13,289	82,593
Charge for the year	2,096	1,171	8,397	8,049	1,992	1,884	—	23,589
Eliminated on disposals	—	—	—	(355)	(247)	(258)	—	(860)
Eliminated upon disposal of subsidiaries	(2,918)	—	—	(1,925)	—	(230)	(1,888)	(6,961)
At 31st December, 2009	13,368	3,673	25,151	32,373	7,666	4,729	11,401	98,361
CARRYING VALUE								
At 31st December, 2009	32,134	22,918	22,714	57,899	3,304	5,565	49,214	193,748
At 31st December, 2008	35,264	22,415	29,566	61,826	5,071	7,460	18,278	179,880

16. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

The buildings are situated in the PRC under medium-term leases.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, as follow:

Buildings	Over the shorter of 20 years or the concessionary period of the toll highway and bridge
Leasehold improvement	Over the shorter of 20 years or the concessionary period of the toll highway and bridge
Mining shafts	5 years
Plant and machinery	5–10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

During the year ended 31st December, 2008, management conducted impairment review of the CGUs which comprise goodwill, mining rights and production assets and noted that the recoverable amounts of the relevant CGUs were less than their carrying amounts due to the decline of the market price of minerals and operating losses incurred by certain CGUs. Accordingly, an impairment loss of RMB40,338,000 in respect of production assets, which are used in the Mining Operations of the Group, was recognised in profit or loss. The recoverable amounts of the relevant CGUs were determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 25% in relation to the relevant CGUs.

Certain buildings of the Group are erected in the PRC with respect to which the Group had not been granted formal title of ownership. As at 31st December, 2009, the carrying value of such buildings amounted to RMB27,470,000 (2008: RMB30,238,000). In the opinion of directors, the absence of formal title does not impair the value of the relevant buildings. The directors also believe that formal title of these buildings will be granted to the Group in due course.

17. PREPAID LEASE PAYMENTS

	2009 RMB'000	2008 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**2,841**	3,116
Analysed for reporting purposes as:		
Current asset	**208**	232
Non-current asset	**2,633**	2,884
	2,841	3,116

As at 31st December, 2009, the carrying value of land use rights in respect of which the Group had not been granted formal title of ownership amounted to RMB1,000,000 (2008: RMB1,021,000). In the opinion of directors, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title of these land use rights will be granted to the Group in due course.

18. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2008	1,148,118
Acquired on acquisition of subsidiaries	282,988
At 31st December, 2008	1,431,106
Addition	4,404
Disposed upon disposal of subsidiaries	(400)
At 31st December, 2009	1,435,110
AMORTISATION AND IMPAIRMENT	
At 1st January, 2008	30,545
Charge for the year	28,323
Impairment loss recognised in profit or loss	214,142
At 31st December, 2008	273,010
Charge for the year	22,111
Eliminated upon disposal of subsidiaries	(255)
At 31st December, 2009	294,866
CARRYING VALUE	
At 31st December, 2009	1,140,244
At 31st December, 2008	1,158,096

18. MINING RIGHTS — CONTINUED

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of three 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 without significant costs.

The mining rights are amortised over a period between 9 and 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.

During the year ended 31st December, 2008, the management conducted impairment review of the CGUs which comprise goodwill, mining rights and production assets and noted that the recoverable amounts of the relevant CGUs were less than their carrying amounts due to the decline of the market price of minerals and operating losses incurred by certain CGUs. Accordingly, an impairment loss of RMB214,142,000 in respect of mining rights, which were included in the Mining Operations of the Group, was recognised in profit or loss. The recoverable amounts of the relevant CGUs were determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 25% in relation to the relevant CGUs.

During the year ended 31st December, 2009, due to the decline of gross profit and recurring losses incurred by certain CGUs, the management conducted impairment review of the CGUs in Mining Operations, which comprise mining rights and production assets. The recoverable amounts of the relevant CGUs were greater than their carrying amounts; therefore, no impairment losses were recognised in profit or loss. The recoverable amounts of the relevant CGUs were determined on the basis of their value in use. The discount rate in measuring the amounts of value in use was 26% in relation to the relevant CGUs.

19. GOODWILL

	RMB'000
COST	
At 1st January, 2008, 31st December, 2008 and 2009	10,533
IMPAIRMENT	
At 1st January, 2008	3,235
Recognised for the year (note)	6,816
At 31st December, 2008 and 2009	10,051
CARRYING VALUE	
At 31st December, 2008 and 2009	482

note: During the year ended 31st December, 2008, the Group recognised an impairment loss of RMB6,816,000 in relation to goodwill because of the decline of the market price of minerals and/or the operating losses incurred by the CGUs of Baoshan Feilong, Puer Feilong Mining Co., Ltd. ("Puer Feilong") and Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong").

As at 31st December, 2009, for the purpose of impairment testing, the recoverable amount of the CGU relating to the goodwill attributable to the Toll Road Operation has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a four-year period and a discount rate of 18% (2008: 18%) per annum. The key assumption for the value in use calculation relates to the forecast traffic flows. Management of the Group has determined that there is no impairment of the CGU containing goodwill.

20. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At 1st January, 2008, 31st December, 2008 and 2009	247,798
AMORTISATION	
At 1st January, 2008	(130,382)
Provided for the year	(16,592)
At 31st December, 2008	(146,974)
Provided for the year	(16,589)
At 31st December, 2009	(163,563)
CARRYING VALUE	
At 31st December, 2009	84,235
At 31st December, 2008	100,824

The operating rights of toll highway and bridge were 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. Upon the end of the respective concession service period, the toll highway and bridge and their toll station facilities will be returned to the grantor at nil consideration.

As disclosed in Note 3B, the Group's right to operate the toll highway and bridge is amortised over the remaining concessionary period of the toll highway and bridge, using the straight-line method starting from 1st January, 2009. In previous year, they were amortised on a unit-of-usage basis. In the opinion of the directors of the Company, such change has no material impact on the consolidated financial statements.

The Group is currently negotiating with relevant authorities to extend the operation period for a further 10 years to end in 2023. As at 31st December, 2009, the applications with the relevant governmental authorities for toll collection was still in progress.

21. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

22. OTHER FINANCIAL ASSET

	2009 RMB'000	2008 RMB'000
Financial asset designated as at FVTPL	**22,449**	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 had 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 the 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 26% (2008: 25%) per annum. The change in fair value of RMB4,472,000 (2008: RMB2,936,000) has been charged to profit or loss during the year ended 31st December, 2009.

23. INVENTORIES

	2009 RMB'000	2008 RMB'000
Raw materials and consumables	**10,722**	10,762
Finished goods	**7,462**	9,958
	18,184	20,720

24. TRADE AND OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Trade receivables	**6,156**	7,940
Other receivables	**11,882**	10,256
	18,038	18,196

24. TRADE AND OTHER RECEIVABLES — CONTINUED

The Group allows its trade customers an average credit period of 60 days. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
0–60 days	**6,156**	7,940

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly. As at 31st December, 2009, the entire trade receivable balance was neither past due nor impaired and had no default record based on historical information.

25. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2009 RMB'000	2008 RMB'000
Langfang Municipal Communications Bureau ("Langfang Bureau") and its affiliate (note i)	**23,411**	7,642
Yue Da Enterprise	**2,448**	—
Mr. Yang Long and his affiliates	**1,005**	9,411
	26,864	17,053
Trade nature	**7,416**	17,053
Non-trade nature (note ii)	**19,448**	—
	26,864	17,053

The Group allows its related companies an average credit period of 60 days. The following is an aged analysis of amounts due from related companies which are principally trade nature based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
0–60 days	**7,416**	17,053

25. AMOUNTS DUE FROM/TO RELATED COMPANIES — CONTINUED

At the end of the reporting period, the entire balances due from related companies were neither past due nor impaired and had no default record based on historical information.

	Due to	
	2009 **RMB'000**	2008 RMB'000
Non-trade nature		
Current		
Mr. Yang Long and his affiliates (note ii)	**–**	3,260
Langfang Bureau and its affiliate (note i & ii)	**–**	1,908
	–	5,168
Non-current		
Yue Da Enterprise (note iii)	**60,155**	62,961
	60,155	68,129

The Group has financial risk management policies in place to ensure that all payables are within the allowable credit period.

The Group's amounts due to related companies that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2009 **RMB'000**	2008 RMB'000
Hong Kong Dollars ("HKD")	**60,155**	66,221

notes:

(i) Langfang Bureau is a minority shareholder with 49% equity interest of the Company's toll highway and bridge subsidiary, Langfang Tongda.

(ii) The amounts were unsecured, interest-free and repayable on demand.

(iii) The amount is unsecured and interest-free loan. On 15th June, 2009, without consideration, Yue Da Enterprise agreed to extend the repayment date from 1st January, 2010 to 1st July, 2011. The difference between the carrying value and the fair value (determined using cash flows discounted at an effective interest rate of 9.3% per annum) of the loan on the date of extension is RMB8,062,000 which has been recognised as a deemed capital contribution from Jiangsu Yue Da which is the ultimate parent of the Company and Yue Da Enterprise.

26. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.36% (2008: 0.36% to 0.72%) per annum.

The Group's bank balances and cash that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2009 RMB'000	2008 RMB'000
HKD	**4,910**	1,389

27. TRADE AND OTHER PAYABLES

	2009 RMB'000	2008 RMB'000
Current		
Trade payables	**3,880**	2,395
Other payables (note)	**21,662**	39,706
	25,542	42,101
Non-current		
Other payables (note)	**21,970**	21,266
	47,512	63,367

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009 RMB'000	2008 RMB'000
0–30 days	**3,880**	2,395

The average credit period on purchases of goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period.

note: As at 31st December, 2009, included in the other payables is a mining fee payable of RMB28,884,000 (2008: RMB23,497,000) in which RMB21,970,000 (2008: RMB21,266,000) is non-current portion and RMB6,914,000 (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 non-current mining fee payable on its initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum. As at 31st December, 2009, the difference of RMB33,569,000 (2008: RMB35,382,000) between the nominal value and the carrying value at amortised cost of the mining fee payable was considered as a government grant and was recognised as deferred income (see Note 34).

28. AMOUNTS DUE TO DIRECTORS

The amounts are unsecured, interest-free and repayable on demand. The entire amounts are denominated in HKD, a currency other than the functional currency of the relevant group entity.

29. PROMISSORY NOTES

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

	2009 **RMB'000**	2008 RMB'000
Carrying amount repayable:		
Within one year	**2,733**	8,320
More than one year, but not exceeding two years	**48,720**	26,898
More than two years, but not exceeding five years	**20,100**	47,656
	71,553	82,874
Less: Amounts due within one year shown under current liabilities	**(2,733)**	(8,320)
	68,820	74,554

On 20th December, 2009, without consideration, Feilong Holdings agreed to extend the repayment date of a portion of the promissory notes with a nominal amount of RMB21,444,000 (the "Extended Portion") to 31st December, 2012. The difference between the carrying value and the fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the Extended Portion on the date of extension is RMB1,616,000 which has been recognised as a deemed capital contribution from a shareholder.

Except as disclosed above, as at 31st December, 2009, the fair value of the promissory notes on their initial recognition were determined using cash flows discounted at an effective interest rate of 9.3% per annum.

The entire balance is denominated in HKD, a currency other than the functional currency of the relevant group entity.

30. BANK BORROWINGS

	2009 **RMB'000**	2008 RMB'000
Bank loans		
Secured	**176,080**	273,389
Unsecured	**160,000**	100,000
	336,080	373,389
The floating-rate bank loans are repayable:		
Within one year	**61,460**	53,465
More than one year, but not exceeding two years	**184,929**	105,040
More than two years, but not exceeding five years	**89,691**	214,884
	336,080	373,389
Less: Amount due within one year shown under current liabilities	**(61,460)**	(53,465)
	274,620	319,924

Bank borrowings comprise:

		Effective	**Carrying amount**	
	Maturity date	**interest rate**	**2009** **RMB'000**	2008 RMB'000
HKD bank loan at Hong Kong Interbank Offer Rate ("HIBOR") plus 1% (note i)	6th June, 2012	1.17%	**176,080**	273,389
RMB bank loan at 105% of The People's Bank of China Base Lending Rate ("PBCBLR") (note ii)	29th December, 2011	5.67%	**80,000**	100,000
RMB bank loan at 100% of PBCBLR (note iii)	31st March, 2011	5.31%	**40,000**	—
RMB bank loan at 100% of PBCBLR (note iv)	2nd September, 2011	5.31%	**20,000**	—
RMB bank loan at 100% of PBCBLR (note v)	22nd December, 2011	5.31%	**20,000**	—
			336,080	373,389

30. BANK BORROWINGS — CONTINUED

notes:

(i) Repayable in eight semi-annual installments commencing on 26th December, 2008 to 26th June, 2012.

(ii) Repayable by two installments on 29th December, 2010 and 29th December, 2011.

(iii) Repayable in full on 31st March, 2011.

(iv) Repayable in full on 2nd September, 2011.

(v) Repayable in full on 22nd December, 2011.

The HKD bank loans are secured by the Company's equity interests in certain subsidiaries. All the RMB bank loans are guaranteed by Jiangsu Yue Da.

The Group's bank borrowing that is denominated in a currency other than the functional currency of the relevant group entity is set out below:

	2009 **RMB'000**	2008 RMB'000
HKD	**176,080**	273,389

31. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

In March 2008, the Group completed the acquisition of certain subsidiaries and the outstanding consideration of RMB78,228,000, which is unsecured and interest-free, was payable on 30th September, 2009. On 30th September, 2009, without consideration, the vendor which is an independent third party, agreed to extend the repayment date of the consideration payable to 1st July, 2011. The difference between the carrying value and the fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the consideration payable on the date of extension is RMB10,626,000 which has been recognised as other income in the consolidated statement of comprehensive income.

The entire balance of consideration payable for acquisition of subsidiaries is denominated in HKD, a currency other than the functional currency of the relevant group entity.

32. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2008	—
Acquired on acquisition of subsidiaries	1,745
Imputed interest	117
At 1st January, 2009	1,862
Imputed interest	175
At 31st December, 2009	2,037

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the costs for land reclamation and mine closures for certain of the Group's existing mines. The provision for restoration, rehabilitation and environmental costs were determined by the directors based on their best estimates and recognised on its initial recognition at an effective interest rate of 8.7% per annum.

33. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on mining rights RMB'000	Decelerated tax depreciation RMB'000	Amortisation of other intangible assets RMB'000	Dividends withholding tax RMB'000	Total RMB'000
At 1st January, 2008	228,911	(1,416)	8,084	—	235,579
Acquisition of subsidiaries	65,778	—	—	—	65,778
(Credit) charge to profit or loss	(31,144)	(7,868)	(1,391)	4,992	(35,411)
At 1st January, 2009	263,545	(9,284)	6,693	4,992	265,946
Eliminated upon disposal of subsidiaries	—	801	—	—	801
(Credit) charge to profit or loss	(612)	1,019	—	726	1,133
At 31st December, 2009	262,933	(7,464)	6,693	5,718	267,880

At the end of the reporting period, the Group had unused tax losses of approximately RMB39,800,000 (2008: RMB17,000,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB85,745,000 (2008: RMB73,984,000).

34. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fees payables (Note 27). The amount will be released to income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

35. SHARE CAPITAL

	Number of shares	Amount HK$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2008, 31st December, 2008 and 2009	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2008	304,231,333	30,423	31,208
Share repurchased and cancelled (note i)	(862,000)	(86)	(79)
Exercise of share options	2,200,000	220	196
Placing of new shares (note ii)	20,000,000	2,000	1,797
At 31st December, 2008 and 2009	325,569,333	32,557	33,122

notes:

(i) During the year ended 31st December, 2008, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK$0.1 each	Price per share Highest HK$	Price per share Lowest HK$	Total consideration paid RMB'000
January	(862,000)	6.19	4.95	4,489

(ii) Pursuant to a placing agreement dated 19th March, 2008, the Company placed 20 million shares of the Company at a price of HK$5.00 per share, resulting in gross proceeds to the Company of approximately HK$100 million (equivalent to approximately RMB91 million). 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 placing was fixed. Arrangement fees of approximately HK$2 million (equivalent to approximately RMB1.8 million) were set off against share premium. The proceeds were used to finance the Group's acquisition as set out in Note 39.

36. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted by a written resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group and will expire on 11th November, 2011. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

As at 31st December, 2009, the number of shares in respect of which options were outstanding under the Scheme was 16,000,000 (2008: 12,300,000), representing 5% (2008: 4%) of the shares of the Company in issue at that date.

36. SHARE-BASED PAYMENTS — CONTINUED

The following table discloses details of the Company's share options held by directors and employees during the year:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2009	Granted during the year	Cancelled with modification during the year	Granted with modification during the year	Forfeited during the year	Outstanding at 31st December, 2009
Directors of the Company	25th May, 2008	4.85	25th May, 2008 to 24th May, 2018	3,900,000	–	(3,900,000)	–	–	–
	27th May, 2009	1.06	28th May, 2009 to 26th May, 2019	–	1,300,000	–	–	–	1,300,000
	9th July, 2009	1.06	9th July, 2009 to 24th May, 2018	–	–	–	3,900,000	–	3,900,000
				3,900,000	1,300,000	(3,900,000)	3,900,000	–	5,200,000
Employees	25th May, 2008	4.85	25th May, 2008 to 24th May, 2018	8,400,000	–	(6,210,000)	–	(2,190,000)	–
	27th May, 2009	1.06	28th May, 2009 to 26th May, 2019	–	4,590,000	–	–	–	4,590,000
	9th July, 2009	1.06	9th July, 2009 to 24th May, 2018	–	–	–	6,210,000	–	6,210,000
				8,400,000	4,590,000	(6,210,000)	6,210,000	(2,190,000)	10,800,000
Total				12,300,000	5,890,000	(10,110,000)	10,110,000	(2,190,000)	16,000,000
Exercisable at the end of the year									16,000,000
Weighted average exercise price (HK$)				4.85	1.06	4.85	1.06	4.85	1.06

36. SHARE-BASED PAYMENTS — CONTINUED

The following table discloses details of the Company's share options held by directors and employees during the prior year:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2008	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31st December, 2008
Directors of the Company	26th September, 2005	0.53	12th October, 2005 to 25th September, 2015	1,980,000	—	(1,980,000)	—	—
	25th May, 2008	4.85	25th May, 2008 to 24th May, 2018	—	3,900,000	—	—	3,900,000
				1,980,000	3,900,000	(1,980,000)	—	3,900,000
Employees	29th April, 2003	0.40	16th May, 2003 to 28th April, 2013	450,000	—	—	(450,000)	—
	9th March, 2007	3.00	9th March, 2007 to 8th March, 2017	220,000	—	(220,000)	—	—
	25th May, 2008	4.85	25th May, 2008 to 24th May, 2018	—	8,400,000	—	—	8,400,000
				670,000	8,400,000	(220,000)	(450,000)	8,400,000
Total				2,650,000	12,300,000	(2,200,000)	(450,000)	12,300,000
Exercisable at the end of the year								12,300,000
Weighted average exercise price (HK$)				0.71	4.85	0.78	0.40	4.85

On 27th May, 2009, 5,890,000 share options were granted and vested immediately. The estimated fair value of the share options granted on that date was HK$2,906,000 (equivalent to RMB2,558,000). On 25th May, 2008, 12,300,000 share options were granted and vested immediately. The estimated fair value of the options granted on that date was HK$16,937,000 (equivalent to RMB15,096,000).

36. SHARE-BASED PAYMENTS — CONTINUED

The fair value of the share options granted during the year was calculated using the Black-Scholes 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 inputs into the model were as follows:

	2009	2008
Grant date share price	**HK$1.06**	HK$4.89
Exercise price	**HK$1.06**	HK$4.85
Expected life	**2.36 years**	2.36 years
Expected volatility	**84.77%**	55.91%
Risk-free interest rate	**0.54%**	2.22%
Expected dividend yield	**0.00%**	4.00%

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 effects of non-transferability, exercise restrictions and behavioural considerations.

As all the options vested on the date of grant, the Group recognised share option expense of RMB2,558,000 (2008: RMB15,096,000) for the year ended 31st December, 2009 in relation to share options granted by the Company.

On 9th July, 2009, the Company repriced 10,110,000 outstanding share options (the "New Options") previously granted on 25th May, 2008 (the "Old Options"). The exercise price was reduced from HK$4.85 to the then current market price of HK$1.06. The incremental fair value of HK$3,997,000 (equivalent to RMB3,519,000) which is the excess of the New Options' fair value over the Old Options' fair value as at 9th July, 2009 was recognised in profit or loss immediately. The fair values of the New Options and the Old Options were calculated using the Black-Scholes pricing model. The variables and assumptions used in computing the fair values of the New Options and the Old Options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions. The inputs into the model were as follows:

	New Option	Old Option
Closing share price as at 9th July, 2009	HK$1.19	HK$1.19
Exercise price	HK$1.06	HK$4.85
Expected life	2.36 years	2.36 years
Expected volatility	87.55%	87.55%
Risk-free interest rate	0.40%	0.40%
Expected dividend yield	0.00%	0.00%

Subsequent to the end of the reporting period, the Company adjusted the exercise price of the outstanding options from HK$1.06 to HK$0.9063 per share as a result of the open offer in March 2010 as detailed in Note 48. The adjustment became effective on 4th March, 2010 and the total number of outstanding options was increased to 18,361,937.

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which includes amounts due to related companies, amounts due to directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries, and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2009 **RMB'000**	2008 RMB'000
Financial assets		
Financial asset designated as at FVTPL (note)	**22,449**	26,921
Loans and receivables (including cash and cash equivalents)	**74,640**	157,387
Financial liabilities		
Amortised cost	**573,860**	624,410

note: For the financial asset designated as at FVTPL, the cumulative change in fair value is RMB7,408,000 and the change in fair value recognised during the year ended 31st December, 2009 of RMB4,472,000 (2008: RMB2,936,000) are mainly attributable to changes in estimated distributable profits of Baoshan Feilong and effective interest rate (Note 22).

38. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies

The Group's major financial instruments include other financial asset, trade and other receivables, amounts due from related companies, bank balances and cash, trade and other payables, amounts due to related companies/directors, promissory notes, bank borrowings and consideration payable for acquisition of subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market Risk

(a) Currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the end of the reporting period date are as follows:

	Liabilities		**Assets**	
	2009 RMB'000	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
HKD	**377,261**	496,610	**4,910**	1,389

Sensitivity analysis

The Group is mainly exposed to HKD exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes amounts due to related companies, amounts due to directors, promissory notes, bank borrowings consideration payable for acquisition of subsidiaries and bank balances that are denominated in HKD. On this basis, there will be a decrease in post-tax loss for the year where RMB strengthens against HKD by 5%, and vice versa.

	2009 RMB'000	2008 RMB'000
Loss for the year	**15,546**	20,675

The Group's sensitivity to foreign currency has decreased during the current year mainly due to a decrease in liabilities that are denominated in HKD.

38. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Market Risk — continued

(b) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other financial asset and promissory notes. Currently, the Group does not have a hedging policy. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. It is the Group's policy to keep its bank balances and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR and PBCBLR arising from the Group's bank borrowings and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period and management considers that such exposure for variable rate bank balances is not significant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points increase or decrease is used for bank borrowings respectively when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for bank borrowings and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2009 would increase/decrease by RMB1,475,000 (2008: loss increase/decrease by RMB1,626,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(c) Other price risk

The Group's fair value exposure to other financial asset designated as at FVTPL is in relation to the changes in forecast distributable profits of Baoshan Feilong.

38. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Credit risk

As at 31st December, 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or related companies is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk on trade receivables and amounts due from related companies. Trade receivables were due from two (2008: one) external customers within the Mining Operations while amounts due from related companies in trade nature were mainly attributed to one related company (2008: two related companies) .

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. In March 2010, the Group has raised gross cash proceeds of approximately RMB344 million through an open offer as set out in Note 48.

The following table details the Group's remaining contractual maturity for its non-derivate financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

38. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Liquidity risk — continued

Liquidity risk tables

	Weighted average effective interest rate %	Less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
2009								
Non-derivative financial liabilities								
Trade and other payables (current)	—	14,629	—	—	—	—	14,629	14,629
Other payables (non-current)	9.30	—	—	—	12,630	42,909	55,539	21,970
Amounts due to related companies	9.30	—	—	—	68,405	—	68,405	60,155
Amounts due to directors	—	352	—	—	—	—	352	352
Promissory notes	9.10	—	—	2,733	81,618	—	84,351	71,553
Bank borrowings (variable rate)	3.45	184	2,577	69,743	281,869	—	354,373	336,080
Consideration payable for acquisition of subsidiaries	8.70	—	—	—	78,228	—	78,228	69,121
		15,165	2,577	72,476	522,750	42,909	655,877	573,860

	Weighted average effective interest rate %	Less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
2008								
Non-derivative financial liabilities								
Trade and other payables (current)	—	3,935	691	—	—	—	4,626	4,626
Other payables (non-current)	9.30	—	—	—	11,338	45,310	56,648	21,266
Amounts due to related companies (current)	—	5,168	—	—	—	—	5,168	5,168
Amounts due to related companies (non-current)	9.30	—	—	—	68,405	—	68,405	62,961
Amounts due to directors	—	352	—	—	—	—	352	352
Promissory notes	9.30	—	—	9,094	92,908	—	102,002	82,874
Bank borrowings (variable rate)	3.97	766	3,707	63,472	341,967	—	409,912	373,389
Consideration payable for acquisition of subsidiaries	8.70	—	—	78,468	—	—	78,468	73,774
		10,221	4,398	151,034	514,618	45,310	725,581	624,410

The amounts included above for variable interest rate instruments is subject to change if interest rates differ to those determined at the end of the reporting period.

38. FINANCIAL INSTRUMENTS — CONTINUED

(iii) Fair value

The fair value of financial assets and financial liabilities, except other financial asset, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The consolidated financial statements also include other financial asset which is measured at fair value (see Note 22). Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. In determining the fair value at the end of the reporting period, estimated distributable profit of Baoshan Feilong and a risk adjusted discount rate of 26% (2008: 25%) per annum are used. The change in fair value of other financial asset that was recognised in profit or loss during the year is RMB4,472,000 (2008: RMB2,936,000). If the estimated distributable profit of Baoshan Feilong was 5% higher/lower while all the other variables were held constant, the carrying amount of the other financial asset would increase/decrease by RMB1,122,000 (2008: increase/decrease by RMB1,346,000). In addition, if the discount rate was 5% higher/lower while all the other variables were held constant, the carrying amount of the other financial asset would decrease/increase by approximately RMB1 million (2008: decrease/increase by approximately RMB1 million).

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instrument that is measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

— Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

— Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

38. FINANCIAL INSTRUMENTS — CONTINUED

(iii) Fair value — continued

Fair value measurements recognised in the consolidated statement of financial position — continued

The Group did not have any level 1 and 2 financial instruments measured at fair value at the end of the reporting period.

	2009 **Level 3** **RMB'000**
Financial asset at FVTPL	
Other financial asset	**22,449**

Reconciliation of Level 3 fair value measurements of financial asset

	Other financial asset RMB'000
At 1st January, 2009	26,921
Total gains or losses:	
— in profit or loss	(4,472)
At 31st December, 2009	22,449

Loss from change in fair value of other financial asset is included in 'Other gains and losses'.

39. 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. The consideration was satisfied as to (i) RMB191 million in cash through internal resources and (ii) the remaining balance as deferred consideration payable, the fair value of which on the date of completion was approximately RMB69 million.

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

39. ACQUISITION OF SUBSIDIARIES — CONTINUED

This acquisition has been accounted for using the purchase method. The principal activities of the acquired companies' subsidiaries are mining and processing of zinc and lead in Inner Mongolia Self Autonomous Zone, the PRC. The fair values of the identifiable assets and liabilities of the subsidiaries acquired by the Group during the year ended 31st December, 2008 were as follows:

	Acquirees' carrying amounts before combination	**Fair value adjustments**	**Fair values**
	RMB'000	RMB'000	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	(12,135)	—	(12,135)
Provisions	(1,745)	—	(1,745)
Amounts due to related parties	(62,987)	—	(62,987)
Taxation payable	(158)	—	(158)
Deferred tax liabilities	—	(65,778)	(65,778)
Fair value of net assets	24,703	197,335	222,038
Minority interests			(21,981)
Assignment of amounts due to related parties			62,987
			263,044
Consideration:			
Cash paid			191,202
Consideration payable			68,877
Transaction cost directly attributable to the acquisition			2,965
			263,044
Net cash outflow arising on acquisition:			
Cash consideration paid			194,167
Bank balances and cash acquired			(550)
			193,617

39. 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 was performed by LCH (Asia-Pacific) Surveyors Limited. The valuation was carried out regarding the fair values of the mining rights as at 31st March, 2008. The fair value calculation used 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% per annum. The key assumptions for the fair value calculation relate to the estimated mine reserves in the technical report and the estimated prices of mineral resources by reference to current market condition.

40. 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 (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.

40. DISPOSAL OF SUBSIDIARIES — CONTINUED

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

NET ASSETS DISPOSED OF	RMB'000
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
Total consideration	6,380
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 RMB197,000 to the Group's results.

41. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2008: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2008: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,304,000 (2008: RMB1,376,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

42. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises during the year amounted to RMB3,093,000 (2008: RMB3,018,000).

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 **RMB'000**	2008 RMB'000
Within one year	**2,247**	2,854
In the second to fifth year inclusive	**1,763**	1,949
	4,010	4,803

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB2,835,000 (2008: RMB4,246,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years.

43. CAPITAL COMMITMENTS

	2009 **RMB'000**	2008 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**366**	14,258

44. PLEDGE OF ASSETS

At the end of the reporting period, the Company's equity interests in certain subsidiaries, which hold certain mining rights in the PRC, were pledged to a bank for credit facilities granted to the Group. As at 31st December, 2009, an amount of RMB176,080,000 (2008: RMB273,389,000) of such facilities was utilised.

45. RELATED PARTY DISCLOSURES

(i) The Group had the following transactions with related parties:

Relationship	Nature of transactions	2009 RMB'000	2008 RMB'000
Mr. Yang Long and his affiliates	Sale of finished goods by the Group (note a)	**47,907**	104,503
	Interest on promissory notes (Note 11)	**7,339**	8,951
	Deemed capital contribution arising from extension of repayment date of promissory notes (Note 29)	**1,616**	9,452
	Purchase of materials by the Group (note b)	**–**	2,612
	Materials supplied and construction and maintenance services of fixed assets provided to the Group (note b)	**–**	206
Langfang Bureau and its affiliate	Repairs and maintenance charges paid by the Group (note c)	**8,778**	8,601
Yue Da HK	Rentals paid on office premises and staff quarters by the Group (note d)	**2,381**	2,412
Yue Da Enterprise	Deemed capital contribution arising from grant/extention of non-current interest-free loan to the Group (Note 25)	**8,062**	5,443
	Imputed interest arising from non-current interest-free loans granted to the Group (Note 11)	**5,260**	–
	Rentals paid on staff quarter by the Group (note d)	**211**	215
	Compensation paid to vendor on behalf of the Group in relation to the termination of acquisition of Hong Ling (note e)	**–**	7,827

45. RELATED PARTY DISCLOSURES — CONTINUED

(i) — continued

notes:

(a) Certain of the Company's subsidiaries have each entered into an ore supply agreement with the minority shareholders, pursuant to which these subsidiaries have agreed to sell zinc and lead ore concentrates and related products to the minority shareholders and its associates.

(b) Certain of the Company's subsidiaries have each entered into a composite service agreement with their minority shareholders, pursuant to which the minority shareholders and its associates have agreed to supply materials and to provide construction and maintenance of fixed assets services to these subsidiaries.

(c) The repairs and maintenance charges in respect of the relevant toll highway are charged at 15% of the total amount of gross toll collected.

(d) The rentals were charged in accordance with the relevant tenancy agreements.

(e) The compensation was paid to the vendor on behalf of the Group without consideration.

(ii) Details of the Group's outstanding balances with related parties are set out in Notes 25, 28 and 29.

(iii) Details of operating lease commitment with a related party are set out in Note 42.

(iv) 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.

(v) As at 31st December, 2009, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facilities granted to the Group to the extent of RMB180,000,000. The facilities are general working capital facilities for two and three years. As at 31st December, 2009, RMB160,000,000 was utilised by the Group.

(vi) 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 the related parties disclosed in (i) to (v) 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.

45. RELATED PARTY DISCLOSURES — CONTINUED

(viii) Compensation of key management personnel

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

	2009 **RMB'000**	2008 RMB'000
Short-term benefits (including share-based payments)	**5,563**	9,885
Post-employment benefits	**181**	169
	5,744	10,054

46. DIVIDEND AND RESULTS OF THE COMPANY

No dividend was paid or proposed during the year ended 31st December, 2009, nor has any dividend been proposed since the end of the reporting period (2008: Nil).

The loss for the year of the Company was RMB32,946,000 (2008: RMB32,794,000).

47. PARTICULATES OF THE COMPANY'S PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December, 2008 and 31st December, 2009 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2009	2008	
			%	%	
Baoshan Feilong (note i & ii)	PRC	Registered capital — RMB34,500,000	**91.5**	91.5	Mining and processing zinc and lead
Daqian Mining (note i)	PRC	Registered capital — RMB5,000,000	**100**	100	Mining and processing zinc and lead
Langfang Tongda (note iii)	PRC	Registered capital — US$11,250,000	**51**	51	Management and operation of the Wen An section of National Highway 106
Puer Feilong (note i & iv)	PRC	Registered capital — RMB5,500,000	**—**	100	Mining and processing zinc and lead
San Xiang (note i)	PRC	Registered capital — RMB14,500,000	**90.1**	90.1	Mining zinc and lead
Tengchong Ruitu Mining and Technology Company Limited (note i)	PRC	Registered capital — RMB11,000,000	**100**	100	Mining and processing iron and zinc
Xiang Da (note i)	PRC	Registered capital — RMB32,600,00	**90.1**	90.1	Processing zinc and lead
Yi Da (note i)	PRC	Registered capital — RMB20,300,000	**90.1**	90.1	Mining and processing zinc and lead
Yaoan Feilong (note i)	PRC	Registered capital — RMB17,400,000	**100**	100	Mining and processing zinc and lead

notes:

(i) The companies are wholly foreign-owned enterprises.

(ii) Pursuant to the profit distribution agreement disclosed in Note 22, all the profits will be shared by the Group from 2008 to 2015.

(iii) Langfang Tongda is a sino-foreign cooperative joint venture.

(iv) The company was disposed on 18th March, 2009 as set out in Note 40.

47. PARTICULATES OF THE COMPANY'S PRINCIPAL SUBSIDIARIES — CONTINUED

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

48. EVENT AFTER THE REPORTING PERIOD

The following significant events took place after the reporting period:

(1) After the end of the reporting period, the Company and Sichuan Province Yanyuan County Pingchuan Iron Mine (四川省鹽源縣平川鐵礦) entered into a memorandum of understanding and a framework agreement on 14th January, 2010 and on 10th March, 2010, respectively in relation to a possible co-operation to establish a sino-foreign company as the platform for development of mining sites in Yanyuan County, Sichuan Province, the PRC (the "Possible Co-operation"). The directors are in the process of determining the financial effect of the Possible Co-operation and the process is not yet completed as at the date these financial statements are approved by the directors. Details of the Possible Co-operation are set out in the announcements of the Company dated 14th January, 2010 and 10th March, 2010, respectively.

(2) In March, 2010, the Company completed an open offer of 325,869,333 shares at a subscription price of HK$1.2 per share on the basis of one new share for every existing share held (the "Open Offer"), resulting in gross proceeds to the Company of approximately RMB344 million. The proceeds are intended to be applied to finance the Possible Co-Operation and the Group's general working capital requirements. Details of the Open Offer are set out in the Company's prospectus dated 11th February, 2010.

Financial Summary

	Year ended 31st December,				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Revenue	102,392	184,628	293,960	268,263	**209,713**
Cost of sales	—	(32,049)	(102,508)	(153,165)	**(128,567)**
Direct operating costs	(50,517)	(53,997)	(33,392)	(32,132)	**(31,790)**
Other income, gains and losses	564	2,349	28,966	21,057	**10,118**
Administrative expenses	(17,134)	(18,574)	(56,554)	(69,635)	**(67,704)**
Finance costs	(3,399)	(7,866)	(20,628)	(25,431)	**(32,055)**
Impairment losses on assets	—	(44,679)	(3,235)	(261,296)	**—**
Other expenses	—	—	—	(18,443)	**—**
Gain on redemption of convertible bonds	—	—	30,104	—	**—**
Discount on acquisition of additional interests in mining subsidiaries	—	56,532	17,942	—	**—**
Loss from fair value changes of convertible bonds' embedded derivatives	—	(39,873)	(101,608)	—	**—**
Loss on disposal of a subsidiary	—	(6,337)	—	—	**—**
Profit (loss) before tax	31,906	40,134	53,047	(270,782)	**(40,285)**
Income tax (expense) credit	(6,224)	(4,852)	(54,404)	31,032	**(6,895)**
Profit (loss) for the year	25,682	35,282	(1,357)	(239,750)	**(47,180)**
Attributable to:					
Owners of the Company	19,464	10,332	7,571	(240,200)	**(52,881)**
Minority interests	6,218	24,950	(8,928)	450	**5,701**
	25,682	35,282	(1,357)	(239,750)	**(47,180)**

	As at 31st December,				
	2005 RMB'000	2006 RMB'000	2007 RMB'000	2008 RMB'000	**2009** **RMB'000**
Total assets	493,638	1,288,631	1,595,585	1,657,669	**1,544,414**
Total liabilities	(66,958)	(446,598)	(802,757)	(966,614)	**(891,306)**
	426,680	842,033	792,828	691,055	**653,108**
Equity attributable to owners of the Company	325,466	482,031	679,814	564,050	**526,924**
Minority interests	101,214	360,002	113,014	127,005	**126,184**
	426,680	842,033	792,828	691,055	**653,108**