



2010 Interim Report



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

Stock code : 629

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2010

	NOTES	Six months ended	
		30.6.2010 RMB'000 (unaudited)	30.6.2009 RMB'000 (unaudited)
Revenue	3	158,930	86,140
Cost of sales		(73,455)	(59,625)
Direct operating costs		(20,399)	(18,172)
Gross profit		65,076	8,343
Other income, gains and losses		3,047	3,739
Gain on bargain purchase of acquisition of subsidiaries	21	13,405	—
Administrative expenses		(27,212)	(25,089)
Finance costs	4	(12,135)	(14,177)
Other expenses	5	(1,313)	—
Profit (loss) before tax		40,868	(27,184)
Income tax expense	6	(8,328)	(2,619)
Profit (loss) and total comprehensive income (expense) for the period	7	32,540	(29,803)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
— Owners of the Company		28,614	(32,010)
— Non-controlling interests		3,926	2,207
		32,540	(29,803)
Earnings (loss) per share			
— Basic	9	5.12 cents	(8.4) cents
— Diluted		5.05 cents	(8.4) cents

Condensed Consolidated Statement of Financial Position

At 30th June, 2010

	NOTES	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	203,185	193,748
Prepaid lease payments		2,568	2,633
Mining rights	11	1,532,106	1,140,244
Goodwill		482	482
Other intangible assets	12	72,057	84,235
Long term deposits		3,023	2,848
Other financial asset	13	23,413	22,449
		1,836,834	1,446,639
CURRENT ASSETS			
Prepaid lease payments		208	208
Inventories		19,863	18,184
Trade and other receivables	14	54,954	18,038
Amounts due from related companies	15	22,346	26,864
Bank balances and cash		305,002	34,481
		402,373	97,775
CURRENT LIABILITIES			
Trade and other payables	16	137,707	25,542
Amounts due to directors		284	352
Taxation payable		6,282	3,047
Promissory notes — due within one year	17	767	2,733
Bank borrowings — due within one year		128,690	61,460
		273,730	93,134
NET CURRENT ASSETS		128,643	4,641
TOTAL ASSETS LESS CURRENT LIABILITIES		1,965,477	1,451,280

Condensed Consolidated Statement of Financial Position

At 30th June, 2010

	NOTES	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	18	64,517	33,122
Reserves		854,326	493,802
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
NON-CONTROLLING INTERESTS		918,843	526,924
		216,597	126,184
TOTAL EQUITY		1,135,440	653,108
NON-CURRENT LIABILITIES			
Other payables	16	22,332	21,970
Amounts due to related companies	15	27,867	60,155
Promissory notes — due after one year	17	118,669	68,820
Bank borrowings — due after one year		201,614	274,620
Consideration payable for acquisition of subsidiaries	19	59,494	69,121
Provisions		2,118	2,037
Deferred tax liabilities		365,373	267,880
Deferred income	20	32,570	33,569
		830,037	798,172
		1,965,477	1,451,280

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2010

	Attributable to owners of the Company									Attributable to non-controlling interests	
	Share capital	Share premium	Non-distributable reserve	Special reserve	Capital contribution	Share options reserves	Other reserve	Accumulated losses	Total	Share of net assets of subsidiaries	Total equity
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000 (note iv)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2009 (audited)	33,122	487,322	21,477	157,178	22,722	15,065	(59,372)	(113,464)	564,050	127,005	691,055
(Loss) profit and total comprehensive (expense) income for the period	–	–	–	–	–	–	–	(32,010)	(32,010)	2,207	(29,803)
Release of non-distributable reserves upon disposal of subsidiaries	–	–	(802)	–	–	–	–	802	–	–	–
Deemed contribution from the ultimate parent	–	–	–	–	16,853	–	–	–	16,853	–	16,853
Forfeiture of share options	–	–	–	–	–	(2,682)	–	2,682	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	2,558	–	–	2,558	–	2,558
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,522)	(6,522)
At 30th June, 2009 (unaudited)	33,122	487,322	20,675	157,178	39,575	14,941	(59,372)	(141,990)	551,451	122,690	674,141
At 1st January, 2010 (audited)	33,122	487,322	22,393	157,178	32,400	18,460	(59,372)	(164,579)	526,924	126,184	653,108
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	28,614	28,614	3,926	32,540
Deemed distribution to the ultimate parent from early repayment of non-current interest-free loan	–	–	–	–	(5,466)	–	–	–	(5,466)	–	(5,466)
Deemed distribution to a shareholder from early repayment of promissory notes	–	–	–	–	(3,572)	–	–	–	(3,572)	–	(3,572)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	93,000	93,000
Shares issued (Note 18)	31,290	343,661	–	–	–	–	–	–	374,951	–	374,951
Transaction cost attributable to issue of shares	–	(5,624)	–	–	–	–	–	–	(5,624)	–	(5,624)
Recognition of equity-settled share-based payments	–	–	–	–	–	2,025	–	–	2,025	–	2,025
Exercise of share option	105	1,376	–	–	–	(490)	–	–	991	–	991
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,513)	(6,513)
Transfer	–	–	4,837	–	–	–	–	(4,837)	–	–	–
At 30th June, 2010 (unaudited)	64,517	826,735	27,230	157,178	23,362	19,995	(59,372)	(140,802)	918,843	216,597	1,135,440



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2010

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 (distributable to) 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 Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company. In prior period, a settlement deed was entered with the Vendor of Hong Ling and the Group agreed to pay compensation of RMB7,827,000 for 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 the ultimate parent;
 - (b) non-current interest-free loan granted and extension of their repayment date by Yue Da Enterprise. In prior periods, the differences between the nominal value and the fair value of the non-current interest-free loans on their inception date and extension date were recognised as deemed contribution by the ultimate parent. During the six months ended 30th June, 2010, the Group early repaid a portion of non-current interest-free loans with a nominal value of RMB38,634,000. A difference of RMB5,466,000 between the nominal value and the carrying value of this repaid portion of non-current interest-free loans on the date of repayment has been recognised as a deemed distribution to the ultimate parent. Details are set out in Note 15.
 - (c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long is a shareholder of the Company, 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. In prior periods, the differences of the carrying value and the fair value of the promissory notes on their inception date and extension dates were recognised as a deemed contribution by a shareholder. During the six months ended 30th June, 2010, the Group early repaid a portion of promissory notes with a nominal value of RMB33,927,000. A difference of RMB3,572,000 between the nominal value and the carrying value of this repaid portion of promissory notes on the date of repayment has been recognised as a deemed distribution to a shareholder. Details are set out in Note 17.
- (iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interest acquired.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2010

	NOTES	Six months ended	
		30.6.2010 RMB'000 (unaudited)	30.6.2009 RMB'000 (unaudited)
Net cash from operating activities		47,443	37,415
Net cash used in investing activities			
Repayment of promissory notes issued for acquisition of subsidiaries	17	(33,927)	—
Repayment of consideration payable for acquisition of subsidiaries	19	(13,318)	—
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	21	(10,481)	—
Acquisition of property, plant and equipment		(7,362)	(17,758)
Repayment from related companies		5,168	—
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	22	380	5,920
Other investing activities		626	249
		(58,914)	(11,589)
Net cash from (used in) financing activities			
Proceeds on open offer of new shares		343,922	—
Bank borrowings raised		40,000	40,000
Proceeds from issue of shares upon exercise of share options		991	—
Repayment of bank borrowings		(45,010)	(85,968)
Repayment to related companies		(38,634)	—
Dividend paid to minority shareholders		(6,513)	(6,522)
Expenses on open offer of new shares		(5,624)	—
Other financing activities		(6,793)	(4,604)
		282,339	(57,094)
Net increase (decrease) in cash and cash equivalents		270,868	(31,268)
Cash and cash equivalents at beginning of the period		34,481	128,856
Effect of foreign exchange rate changes		(347)	(191)
Cash and cash equivalents at end of the period, represented by bank balances and cash		305,002	97,397



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of these new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 3 (Revised 2008) Business Combinations

HKFRS 3 (Revised 2008) *Business Combinations* has been applied prospectively from 1st January, 2010. Its application has affected the accounting for the acquisition of subsidiaries during the current period (Note 21).

The impact of adoption of HKFRS 3 (Revised 2008) has been:

- It allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as “minority” interests).
- It changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if it met probability and reliably measurable criteria, whereas under the revised Standard contingent consideration is measured at fair value at the date of acquisition. Subsequent adjustments are made to contingent consideration against the cost of the acquisition only to the extent that
 - (i) they reflect fair value at the acquisition date, and
 - (ii) they occur within the “measurement period” (a maximum of 12 months from the acquisition date). Under the previous version of the Standard, adjustments to consideration were always made against the cost of the acquisition; and
- It generally requires acquisition-related costs to be accounted for separately from the business combination. As a result, the Group has recognised such costs of RMB1,313,000 as an expense in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition.

In the current period, these changes in policies have had no impact on the results and financial position of the Group.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKAS 32 (Amendment) Classification of Rights Issues

The Group has adopted the Amendment to HKAS 32 titled Classification of Rights Issues in advance of its effective date (1st February, 2010). The amendment to HKAS 32 affects the accounting for rights issued to shareholders on a pro rata basis that give shareholders the rights to acquire a fixed number of equity instruments of the Company for a fixed amount of cash in a foreign currency.

As a result of the application of the Amendment, rights given by the Company under the open offer in the current period to the existing shareholders on a pro rata basis to acquire equity instruments of the Company were not treated as derivatives (Note 18). Hence, no gain or loss has been recognised in profit or loss in the condensed consolidated statement of comprehensive income for the current period in respect of the open offer. Consideration received in respect of the issue and allotment of the equity instruments of the Company pursuant to the open offer is recognised in equity directly.

The early application of the Amendment has had no material impact on the results and financial position of the Group.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker ("CODM") for the purposes of resource allocation and performance assessment are as follows:

- management and operation of toll highway and bridge ("Toll Road Operations")
- exploration, mining and processing of zinc, lead, iron and gold ("Mining Operations")

Information regarding the above segments is reported below.

Six months ended 30th June, 2010

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	31,948	126,982	158,930
SEGMENT RESULTS			
Segment profit	8,249	43,102	51,351
Interest income			626
Other gains and losses			
— Gain on bargain purchase of acquisition of subsidiaries			13,405
— Net foreign exchange gains			1,342
— Gain on change in fair value of financial asset designated as at fair value through profit or loss ("FVTPL")			964
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(1,006)
Central administration costs			(12,366)
Finance costs			(12,135)
Other expenses			(1,313)
Profit before tax			40,868

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

3. SEGMENT INFORMATION (continued)

Six months ended 30th June, 2009

	Toll Road Operations RMB'000	Mining Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	27,845	58,295	86,140
SEGMENT RESULTS			
Segment profit (loss)	7,033	(14,519)	(7,486)
Interest income			71
Other gains and losses			
— Gain on disposal of subsidiaries			1,358
— Net foreign exchange gain			1,222
— Gain on change in fair value of financial asset designated as at FVTPL			454
Central administration costs			(8,626)
Finance costs			(14,177)
Loss before tax			(27,184)

Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of interest income, other gains and losses as described above, central administration costs, finance costs and other expenses. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

4. FINANCE COSTS

	Six months ended	
	30.6.2010 RMB'000	30.6.2009 RMB'000
Interest on bank borrowings wholly repayable within five years	5,535	4,604
Effective interest on promissory notes	2,579	3,657
Imputed interest on:		
– non-current interest-free amount due to a related company	938	2,781
– consideration payable for acquisition of subsidiaries	3,002	3,113
– provisions	81	22
	12,135	14,177

5. OTHER EXPENSES

Other expenses represent acquisition-related costs of RMB1,313,000 in relation to the acquisition of subsidiaries as set out in Note 21.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2010 RMB'000	30.6.2009 RMB'000
PRC Enterprise Income Tax		
— current period	8,063	2,443
Deferred tax		
— current period (note)	265	176
	8,328	2,619

note: Included in the deferred tax, an amount of RMB2,234,000 was charged (2009: RMB377,000 being credited) to profit or loss in the condensed consolidated statement of comprehensive income in respect of temporary difference associated with the undistributed earnings of subsidiaries.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Taxation arising in the PRC is recognised based on the estimated average annual tax rate of 15% for the six months ended 30th June, 2010 (2009: 15%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30.6.2010 RMB'000	30.6.2009 RMB'000
Profit (loss) for the period has been arrived at after crediting (charging) the following items:		
Cost of inventories sold	(70,455)	(59,625)
Amortisation of other intangible assets (included in direct operating costs)	(12,178)	(10,646)
Amortisation of mining rights (included in cost of sales)	(11,287)	(8,689)
Depreciation of property, plant and equipment	(10,756)	(11,654)
Share-based payments expense (Note 23)	(2,025)	(2,558)
Loss arising on early repayment of consideration payable for acquisition of subsidiaries (Note 19)	(1,006)	—
Release of prepaid lease payments	(65)	(114)
(Loss) gain on disposal of property, plant and equipment	(27)	25
Net foreign exchange gain	1,342	1,222
Gain on change in fair value of financial asset designated as at FVTPL	964	454
Interest income	626	71
Gain on disposal of subsidiaries	—	1,358

8. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors do not declare any interim dividend for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2010 RMB'000	30.6.2009 RMB'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company and profit (loss) for the purposes of basis and diluted earnings (loss) per share	28,614	(32,010)
Number of shares	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	559,397,027	380,914,694
Effect of dilutive potential ordinary shares — share options	7,142,043	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	566,539,070	380,914,694

The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted for the open offer on 4th March, 2010.

The calculation of diluted loss per share for the six months ended 30th June, 2009 had not assumed the exercise of the Company's outstanding share options as the exercise of the Company's share options will result in a decrease in loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2010, the Group incurred RMB7,362,000 (2009: RMB17,758,000) on the acquisition of property, plant and equipment. In addition, property, plant and equipment with a carrying amount of RMB12,858,000 was acquired through the acquisition of subsidiaries.

11. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2010	1,435,110
Acquired on acquisition of subsidiaries (Note 21)	403,149
At 30th June, 2010	1,838,259
AMORTISATION AND IMPAIRMENT	
At 1st January, 2010	294,866
Charge for the period	11,287
At 30th June, 2010	306,153
CARRYING VALUE	
At 30th June, 2010	1,532,106
At 31st December, 2009	1,140,244

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. Other than a mining right in Inner Mongolia county in the PRC (the "Daxin Mining Right") with a carrying value at 30th June, 2010 of RMB8,789,000 which officially expired in June 2010, the Group's mining rights are expiring in the period from August 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.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

11. MINING RIGHTS (continued)

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

The mining rights are amortised over a period between 9 to 25 years using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

12. OTHER INTANGIBLE ASSETS

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

The Group's right to operate the toll highway and bridge is amortised over the remaining concessionary period of the toll highway and bridge, using the straight-line method.

The Group is currently negotiating with relevant authorities to extend the operation period for a further 10 years to end in 2023. As at 30th June, 2010, the applications with the relevant governmental authorities for toll collection was still in progress.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

13. OTHER FINANCIAL ASSET

	30.6.2010 RMB'000	31.12.2009 RMB'000
Financial asset designated as at FVTPL	23,413	22,449

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 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 in 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 on initial recognition. 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 each reporting period, the fair value of the financial asset varies depending on the estimated distributable profit of Baoshan Feilong and the effective interest rate at that time. At 30th June, 2010, the fair value of the financial assets increased by RMB964,000, assuming an effective interest rate of 22% per annum. This change in fair value has been credited to profit or loss for the six months ended 30th June, 2010.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

14. TRADE AND OTHER RECEIVABLES

	30.6.2010 RMB'000	31.12.2009 RMB'000
Trade receivables	24,966	6,156
Other receivables	29,988	11,882
	54,954	18,038

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.

	30.6.2010 RMB'000	31.12.2009 RMB'000
0-60 days	24,966	6,156

15. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2010 RMB'000	31.12.2009 RMB'000
Langfang Municipal Communications Bureau ("Langfang Bureau") and its affiliate (note i)	17,504	23,411
Mr. Yang Long and his affiliates	4,842	1,005
Yue Da Enterprise	—	2,448
	22,346	26,864
Trade nature	8,066	7,416
Non-trade nature (note ii)	14,280	19,448
	22,346	26,864

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

15. AMOUNTS DUE FROM/TO RELATED COMPANIES (continued)

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.

	30.6.2010	31.12.2009
	RMB'000	RMB'000
0-60 days	8,066	7,416

	Due to	
	30.6.2010	31.12.2009
	RMB'000	RMB'000
Non-trade nature		
Non-current		
Yue Da Enterprise (note iii)	27,867	60,155

notes:

- (i) Langfang Bureau is a minority shareholder with 49% equity interest in the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd..
- (ii) The amounts are unsecured, interest-free and repayable on demand.
- (iii) The amount is unsecured and interest-free loan. During the six months ended 30th June, 2010, the Group early repaid a portion of non-current interest-free loans with a nominal value of RMB38,634,000. A difference of RMB5,466,000 between the nominal value and the carrying value of this repaid portion of non-current interest-free loans on the date of repayment has been recognised as a deemed distribution to the ultimate parent.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

16. TRADE AND OTHER PAYABLES

	30.6.2010 RMB'000	31.12.2009 RMB'000
Current		
Trade payables	10,393	3,880
Deferred consideration payables (Note 21)	85,195	—
Other payables and accruals (note)	42,119	21,662
	137,707	25,542
Non-current		
Other payables (note)	22,332	21,970
	160,039	47,512

The following is an aged analysis of trade payables presented based on the invoice date.

	30.6.2010 RMB'000	31.12.2009 RMB'000
0-60 days	10,393	3,880

note: As at 30th June, 2010, included in the other payables was a mining fee payable of RMB29,882,000 (31st December, 2009: RMB28,884,000) of which RMB22,332,000 (31st December, 2009: RMB21,970,000) was a non-current portion and the balance was current. It is unsecured, interest-free and repayable in accordance with the requirement of the PRC rules and regulations with reference to the annual actual extraction volume of the relevant mine. The fair value of mining fee payable on its initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum. As at 30th June, 2010, the difference of RMB32,570,000 (31st December, 2009: RMB33,569,000) 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 (Note 20).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

17. PROMISSORY NOTES

	30.6.2010 RMB'000	31.12.2009 RMB'000
Promissory notes		
Feilong Holdings Limited ("Feilong Holdings") (note i)	42,583	71,553
Bright Harvest Holdings Limited ("Bright Harvest") (note ii)	76,853	—
	119,436	71,553
Analysed as:		
Current	767	2,733
Non-current	118,669	68,820

notes:

- (i) The promissory notes were issued to Feilong Holdings, a company beneficially owned by Mr. Yang Long, and are unsecured, interest-bearing at 3.5% (2009: 3.5%) per annum and repayable on the following terms:

	30.6.2010 RMB'000	31.12.2009 RMB'000
Amount repayable:		
Within one year	767	2,733
More than one year, but not more than two years	41,816	48,720
More than two years, but not more than five years	—	20,100
	42,583	71,553

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

17. PROMISSORY NOTES (continued)

notes: (continued)

(i) (continued)

During the six months ended 30th June, 2010, the Group early repaid a portion of the promissory notes with a nominal value of RMB33,927,000. A difference of RMB3,572,000 between the nominal value and the carrying value of this repaid portion of promissory notes on the date of repayment has been recognised as a deemed distribution to a shareholder.

(ii) On 30th June, 2010, the Company issued a promissory note comprising two tranches, each with a principal sum of RMB43,825,000, as part of the consideration for the Acquisition as defined in Note 21.

The promissory note is unsecured and interest-free. The first tranche is repayable on 31st July, 2011 and the second tranche on 31st July, 2012. The fair value of these two tranches on the date of issue are RMB40,033,000 and RMB36,872,000, respectively, determined using cash flows discounted at an effective rate of 8.7% per annum.

An analysis of the promissory note is as follows:

	30.6.2010 RMB'000
Amount repayable:	
Within one year	—
More than one year, but not more than two years	40,033
More than two years, but not more than five years	36,820
	76,853

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

18. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK\$0.10 each:			
Issued and fully paid			
At 1st January, 2009, 30th June, 2009 and 31st December, 2009	325,569,333	32,557	33,122
Exercise of share options	1,192,387	119	105
Open offer (note)	325,869,333	32,587	28,660
Issue in consideration for the acquisition of subsidiaries (Note 21)	30,000,000	3,000	2,630
At 30th June, 2010	682,631,053	68,263	64,517

note: On 4th March, 2010, the Company completed an open offer of 325,869,333 shares (the "Open Share") on the basis of one Open Share for every existing share, at the subscription price of HK\$1.2 (equivalent to RMB1.06) each per share. The proceeds are used for general working capital and possible future development of mining sites.

19. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is unsecured, interest-free and payable on 1st July, 2011. During the six months ended 30th June, 2010, the Group early repaid a portion of this consideration payable with a nominal value of RMB13,318,000. A difference of RMB1,006,000 between the nominal value and the carrying value of this repaid portion of consideration payable on the date of repayment has been recognised as other losses.

20. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fee payable (Note 16). 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

21. ACQUISITION OF SUBSIDIARIES

On 30th June, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited (“Absolute Apex”), an investment holding company, from Bright Harvest, an independent third party (the “Vendor”) (the “Acquisition”). Absolute Apex owned the entire equity interest in Ample Source Investment Limited and 70% equity interest in Tong Ling Guan Hua Mining Company Limited (“Tong Ling Guan Hua”), which are engaged in investment holding, and mining and processing of gold, respectively.

Consideration transferred

	RMB'000
Cash consideration paid	10,518
Consideration shares issued (note i)	31,029
Promissory notes issued (Note 17)	76,853
Deferred consideration (note ii)	85,195
Total consideration	203,595

notes:

- (i) As part of the consideration for the Acquisition, 30,000,000 ordinary shares of the Company with par value of HK\$0.1 each were issued. The fair value of these shares, determined using the published share price available at the date of acquisition, amounted to RMB31,029,000.
- (ii) The deferred consideration included in other payables has been settled subsequent to the end of the reporting period.
- (iii) As part of the Acquisition, the Vendor has also agreed to compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua for specified periods as follows:

For the period from 1st July, 2010 to 30th June, 2011

If the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB60 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula. The compensation, if any, will be set off against the first tranche of the promissory note.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

21. ACQUISITION OF SUBSIDIARIES (continued)

notes: (continued)

(iii) (continued)

For the period from 1st July, 2011 to 30th June, 2012

- (a) If the weighted average selling price of the gold produced by Tong Ling Guan Hua reaches RMB220 per gram and the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB70 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula. The compensation, if any, will be set off against the first tranche of the promissory note.
- (b) If the weighted average selling price of the gold produced by Tong Ling Guan Hua is less than RMB220 per gram and the quantity of gold produced by Tong Ling Guan Hua is less than 800 kilogram per annum, the Vendor will compensate the Group for the shortfall based on pre-agreed formula. The compensation, if any, will be set off against the first tranche of the promissory note.

For the period from 1st July, 2012 to 30th June, 2013

- (c) If the weighted average selling price of the gold produced by Tong Ling Guan Hua reaches RMB220 per gram and the profit from Tong Ling Guan Hua attributable to the Group for the above period is less than RMB80 million, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.
- (d) If the weighted average selling price of the gold produced by Tong Ling Guan Hua is less than RMB220 per gram and the quantity of gold produced by Tong Ling Guan Hua is less than 1,000 kilogram per annum, the Vendor will compensate the Group for the shortfall based on pre-agreed formula.

In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition.

- (iv) Acquisition-related costs amounting to RMB1,313,000 have been excluded from the cost of acquisition and have been recognised as an expense in the period, within the “other expenses” line item in the condensed consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

21. ACQUISITION OF SUBSIDIARIES (continued)

Fair value of assets acquired and liabilities assumed at the date of acquisition:

	RMB'000
Property, plant and equipment	12,858
Mining right	403,149
Inventories	4,271
Other receivables	1,411
Bank balances and cash	37
Trade and other payables	(14,393)
Taxation	(105)
Deferred tax liability	(97,228)
	310,000

The fair values of the mining right acquired by the Group were determined on the basis of the Income-Based Approach using the discounted cash flow analysis. The valuation was carried out regarding the fair values of the mining right as at 30th June, 2010. 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 mineral reserves and a discount rate of 23% 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.

Non-controlling interests

At the date of acquisition, the non-controlling interests are measured at the non-controlling interests' share of the fair value of the net identifiable assets.

Gain on bargain purchase on acquisition

	RMB'000
Consideration transferred	203,595
Plus: non-controlling interests	93,000
Less: fair value of identifiable net assets acquired	(310,000)
Gain on bargain purchase on acquisition	(13,405)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

21. ACQUISITION OF SUBSIDIARIES (continued)

Gain on bargain purchase on acquisition (continued)

The gain on bargain purchase on acquisition was mainly attributable to the decline in market price of the consideration shares from the date of the conditional sale and purchase agreement to the date of completion of the acquisition.

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(10,518)
Cash and cash equivalents acquired	37
	<hr/>
	(10,481)

Impact of acquisition on the results of the Group

Absolute Apex and its subsidiaries did not have any contribution to the Group's turnover and profit for the period between the date of acquisition and 30th June, 2010.

Had the acquisition of Ample Source been effected at 1st January, 2010, the revenue of the Group for the six months ended 30th June 2010 would have been increased by RMB12,571,000, and the profit of the Group for the period would have been increased by RMB171,000. The proforma information is for illustration purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1st January, 2010, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Ample Source been acquired at the beginning of the current reporting period, the directors have calculated the amortisation of the mining right acquired on the basis of the fair value arising in the initial accounting for the business combination rather than the carrying amount recognised in the pre-acquisition financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

22. DISPOSAL OF SUBSIDIARIES

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

The following are the assets and liabilities disposed of at 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 inflow arising on disposal:	
Cash consideration	6,000
Bank balances and cash disposed of	(80)
	5,920

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

22. DISPOSAL OF SUBSIDIARIES (continued)

The deferred consideration was settled in cash by the acquirer during the six months ended 30th June, 2010.

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

23. SHARE-BASED PAYMENTS

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

	Number of share options
Outstanding on 1st January, 2010	16,000,000
Adjustment during the period (note i)	2,661,937
Exercised during the period (note ii)	(1,192,387)
Granted during the period (note iii)	3,200,000
Outstanding on 30th June, 2010	20,669,550

notes:

- (i) The exercise price and the number of shares options outstanding at 30th June, 2010 have been adjusted to reflect the effect of the open offer on 4th March, 2010.
- (ii) The weighted average closing price of the Company's shares immediately before the dates on which the options were exercised was HK\$1.58.
- (iii) On 19th April, 2010, the following share options were granted:
 - (a) 2,480,000 share options exercisable commencing from 20th April, 2010 to 19th April, 2020, with no vesting period. The fair value of each option at the date of grant is approximately HK\$0.90;
 - (b) 360,000 share options exercisable commencing from 20th April, 2011 to 19th April, 2020, with vesting period from 20th April, 2010 to 19th April, 2011. The fair value of each share option at the date of grant is approximately HK\$0.91;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

23. SHARE-BASED PAYMENTS (continued)

notes: (continued)

(iii) (continued)

- (c) 360,000 share options exercisable commencing from 20th April, 2012 to 19th April, 2020, with vesting period from 20th April, 2010 to 19th April, 2012. The fair value of each share option at the date of grant is approximately HK\$0.98.

The fair value of the share options granted during the period was calculated using the Black-Scholes option pricing model. The variables and assumptions used in computing the fair value of the options are based on the directors' best estimate. The value of a share option varies with different variables of certain subjective assumptions.

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

	Share options exercisable commencing on 20th April, 2010	Share options exercisable commencing on 20th April, 2011	Share options exercisable commencing on 20th April, 2012
Grant date share price	HK\$1.66	HK\$1.66	HK\$1.66
Exercise price	HK\$1.716	HK\$1.716	HK\$1.716
Expected life	2.37 years	2.43 years	3.25 years
Expected volatility	97.08%	96.42%	90.56%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.83%	0.87%	1.29%

The closing price of the Company's shares immediately before the date of grant was HK\$1.79.

The Group recognised total share option expenses of RMB2,025,000 (30th June, 2009: RMB2,558,000) for the period ended 30th June, 2010 in relation to share options granted by the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

24. RELATED PARTY DISCLOSURES

- (i) During the six months ended 30th June, 2010, the Group had the following transactions with related parties:

Relationship	Nature of transactions	Six months ended	
		30.6.2010 RMB'000	30.6.2009 RMB'000
Mr. Yang Long and his affiliates	Sale of finished goods by the Group	14,307	37,391
	Deemed distribution arising from early repayment of promissory notes	3,572	—
	Interest on promissory notes	2,579	3,657
Langfang Bureau and its affiliate	Repairs and maintenance charges paid by the Group	5,044	4,397
Yue Da Group (H.K.) Co., Limited ("Yue Da HK") (note)	Rentals paid on office premises and staff quarters by the Group	1,187	1,190
Yue Da Enterprise	Deemed distribution arising from early repayment of non-current interest-free loan	5,466	—
	Rentals paid for staff quarters by the Group	105	106
	Deemed capital contribution arising from a new non-current interest-free loan granted to the Group	—	8,791
	Deemed capital contribution arising from extension of non-current interest-free loan granted to the Group	—	8,062

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

- (ii) Details of the Group's outstanding balances with related parties are set out in Notes 15 and 17.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

24. RELATED PARTY DISCLOSURES (continued)

- (iii) In addition, pursuant to the agreements between the Group, the minority shareholder of the Group's toll highway and bridge subsidiary and the relevant government bureaus, the parties have agreed and confirmed that the Group has the right to use the land on which the toll highway and bridge is situated at no cost for the duration of the relevant joint venture term.
- (iv) As at 30th June, 2010, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facility granted to the Group to the extent of RMB180,000,000 (31st December, 2009: RMB180,000,000). The facilities are general working capital facilities for two years. As at 30th June, 2010, a total amount of RMB160,000,000 was utilised by the Group.
- (v) Transactions with other state-owned entities in the PRC:

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2010

24. RELATED PARTY DISCLOSURES (continued)

- (vi) Compensation of key management personnel

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

	Six months ended	
	30.6.2010 RMB'000	30.6.2009 RMB'000
Short-term benefits (including share-based payments)	1,101	2,138
Post-employment benefits	105	94
	1,206	2,232

25. CAPITAL COMMITMENTS

	30.6.2010 RMB'000	31.12.2009 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	690	366

Management Discussion and Analysis

FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Group for the six months ended 30th June, 2010 (the "Period") amounted to RMB158,930,000 and RMB65,076,000, representing an increase of approximately 84.5% and 680% respectively, over the same period in 2009. The profit and total comprehensive income attributable to the owners of the Company for the Period was RMB28,614,000 (corresponding period of last year: loss and total comprehensive expense attributable to the owners of the Company of RMB32,010,000) and basic earnings per share was RMB5.12 cents (corresponding period of last year: loss per share of RMB8.4 cents).

INTERIM DIVIDEND

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

BUSINESS REVIEW

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

MINING OPERATIONS

During the Period, the Mining Operations realized an operating revenue of RMB126,982,000 (corresponding period of last year: RMB58,295,000) with a segment profit of RMB43,102,000 (corresponding period of last year: loss of RMB14,519,000).

The ores extracted during the Period amounted to 287,922 tons, representing an increase of 32.94% over 216,577 tons in the corresponding period of last year, with a unit mining cost of approximately RMB89 per ton (corresponding period of last year: RMB99 per ton) and a unit processing cost of approximately RMB60 per ton (corresponding period of last year: RMB77 per ton).

The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 3,225 metal tons (corresponding period of last year: 3,468 metal tons), lead ore concentrates of 1,657 metal tons (corresponding period of last year: 1,664 metal tons), silver of 1,602 kilograms (corresponding period of last year: 1,175 kilograms) and iron ore concentrates of 91,093 tons (corresponding period of last year: 46,046 tons). During the Period, the metal ore concentrates were sold at an average price of RMB9,079 per metal ton for zinc ore concentrates (corresponding period of last year: RMB5,883 per metal ton),

Management Discussion and Analysis

RMB12,443 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB8,240 per metal ton), and RMB480 per ton for iron ore concentrates (corresponding period of last year: RMB251 per ton).

Amidst the negative impact of the global financial turmoil that surfaced in the third quarter of 2008, both sale prices and demands for zinc, lead and iron ore concentrates started to improve from the third quarter of 2009 after the slow recovery of the world's economy.

Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") completed during the Period the project of upgrading the technology and enhancing the production capacity of its plant and its operations commenced as planned. The production of the mine No. 10 and 11 also 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. The processing plant completed its technology improvements, and plays a catalytic part in improving grade and the extent of recovery of ore concentrates. From the second half of 2009, Baoshan Feilong resumed operation to a normal scale of production under tighter cost control measures. Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") is carrying out 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 the extent of recovery of ore concentrates. In the second half of 2009, Yaoan Feilong also 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 Period, the production of the mining project located in Wengniute Banner of Inner Mongolia ("Wengniute Banner Mining") has partially resumed, while the technology improvements of the processing plant were completed.



Management Discussion and Analysis

To maintain recurring sales and cashflow to the Group, four strategic co-operation agreements with a term of 10 years were entered with Zhuzhou Smelter Group Co. Limited (“Zhuzhou Smelter”), Yunnan Yuntong Zinc Alloy Company Limited (“Yunnan Yuntong”), Panzihua Steel Group International Economic Trading Company Limited (“Panzihua 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 disclosed in the announcements of the Company dated 21st November, 2008, 9th December, 2008 and 22nd December, 2009, respectively. The above agreements continued to be in force during the Period.

Toll Road Operations

The Toll Road Operations recorded a net operating revenue of RMB31,948,000 (corresponding period of last year: RMB27,845,000) and a segment profit of RMB8,249,000 (corresponding period of last year: RMB7,033,000).

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 25,024 during the Period (corresponding period of last year: 22,500) while the operating revenue achieved RMB31,948,000, which represented an increase of approximately 14.7% over RMB27,845,000 of the corresponding period last year. Steady vehicle flows and toll revenues were recorded and it is expected that the Toll Road Operations will continue to develop steadily in the future. The Wen An Section has also implemented a computer-aided toll fee and control system to effectively uphold the standard of the toll road operations. No adjustment was made to the toll fee for the Wen An Section during the Period. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Period. However, no large-scale maintenance works have been carried out.

PROSPECTS

The Group has all along sought to enhance its exploration and mining activities 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.

Management Discussion and Analysis

Through 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, the Group has built a concrete foundation 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 taking further steps to accelerate the mining activities of mine No. 8 for increasing recovery. Meanwhile, the optimization of its operation flow is in progress.

Looking forward, in the second half of 2010, the environment for the mining business is expected to be improved as 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 order to reduce its gearing ratio.

In addition, it is the Company's strategy to realize its potential drilling capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. Besides, the Group is making preparation for the acquisition of peripheral mining rights with high potential at an appropriate time.

The Group's Toll Road Operation continues to provide stable recurring income to the Group.

Acquisition of gold mines in the People's Republic of China (the "PRC")

On 30th June, 2010, Yue Da Mining Limited ("YDM"), a wholly owned subsidiary of the Company, completed the acquisition of 100% interests in Absolute Apex Limited ("Absolute Apex") at a consideration of HK\$259 million. The consideration was satisfied by:

- (i) as to HK\$100 million by the issue of promissory notes by YDM;
- (ii) as to HK\$49.8 million by the Company's allotment and issue of its 30,000,000 new shares at an issue price of HK\$1.66 per share on 30th June, 2010; and

Management Discussion and Analysis

- (iii) the remaining HK\$109.2 million by payment of cash.

Absolute Apex indirectly owns 70% interests in Tong Ling Guan Hua Mining Company Limited (“Tong Ling Guan Hua”) which is the holder of mining rights of Tong Ling Guan Hua Mining Company Limited Qizichong Gold Mine (a gold and polymetallic mining site situated in Anhui Province, the PRC) and exploration licence of Anhui Tong Ling Liangshishan Iron (Gold) Mine (an iron mining site situated in Anhui Province, the PRC). It is expected that Tong Ling Guan Hua can provide significant revenue and cashflow to the Group in the future.

Possible co-operation with Pingchuan Iron Mining Company (“Pingchuan Iron”)

As disclosed in the Company’s announcements made in March and April 2010, a framework agreement was entered into by the Company and Pingchuan Iron Mining Company in March 2010 in relation to the formation of a company (the “Sino-Foreign Enterprise”) for the development of Pingchuan Iron Mine. It is proposed that the equity interest of the Sino-Foreign Enterprise will be held as to 49% by the Company (or its subsidiary) and 51% by Pingchuan Iron Mining Company. The board of the Sino-Foreign Enterprise is expected to 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.

Management Discussion and Analysis

The production model at the Pingchuan Iron Mine, which is proposed to be further developed by the Sino-Foreign Enterprise, is currently planned on a preliminary scale of about 800,000 tonnes of ores to be produced annually when the Pingchuan Iron Mine reaches its production capacity, it is currently expected the infrastructure period for the development of the Pingchuan Iron Mine to reach the aforesaid annual production scale will take about three years and the preliminary amount of investment for the infrastructure period will not exceed HK\$250 million.

Open Offer

An open offer (“Open Offer”) was implemented by the Company in early 2010. Under such Open Offer, 325,869,333 offer shares were offered by the Company to existing shareholders 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. The Open Offer exercise became unconditional on 4th March, 2010 and the Company raised a net proceeds of approximately HK\$384 million.

Liquidity and Financial Resources

As at 30th June, 2010, the Group’s current assets were RMB402,373,000 (31st December, 2009: RMB97,775,000), of which RMB305,002,000 (31st December, 2009: RMB34,481,000) were bank balances and cash on hand. As at 30th June, 2010, the net asset value of the Group amounted to RMB1,135,440,000, representing an increase of approximately 73.9% as compared to RMB653,108,000 at 31st December, 2009. The gearing ratio (total liabilities/ total assets) of the Group was approximately 49.29% (31st December, 2009: 57.71%). As at 30th June, 2010, the share capital of the Company was RMB64,517,000 (31st December, 2009: RMB33,122,000). The Company’s reserve and minority interests were RMB854,326,000 (31st December, 2009: RMB493,802,000) and RMB216,597,000 (31st December, 2009: RMB126,184,000) respectively. As at 30th June, 2010, the Group had total current liabilities of RMB273,730,000 (31st December, 2009: RMB93,134,000), mainly comprising bank borrowing and trade and other payables. The total non-current liabilities of the Group amounted to RMB830,037,000 (31st December, 2009: RMB798,172,000), which were mainly bank borrowing and promissory notes having maturity over one year, as well as deferred tax liabilities.



Management Discussion and Analysis

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal. The Group recorded a net exchange gain amounting to RMB1,342,000 during the Period due to the appreciation of Renminbi.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2010, 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 30th June, 2010, the Group had a total of approximately 1,475 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining. The management review the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the Period.

Other Information

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

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

THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting (the "2010 AGM") of the Company held on 26th May, 2010 (deviated from code provision E.1.2). However, one of the executive Directors of the Company attended and acted as the Chairman of the 2010 AGM; and (ii) due to administrative reasons, the notice of the 2010 AGM were not sent to shareholders at least 20 clear business days before the 2010 AGM (which deviates from code provision E1.3). The Board will ensure that in future, notices of general meetings will be sent to shareholders of the Company before the minimum periods as prescribed in the Code on Corporate Governance Practices.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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



Other Information

AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. The audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period and this Interim Report, 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 (Chairman of the remuneration committee, an independent non-executive Director), Mr. Han Runsheng (an independent non-executive Director) and Mr. Dong Li Yong (an executive Director). Regular meetings are held by the committee to review and discuss matters relating to the remuneration policy, remuneration levels and the remuneration of executive Directors.

Other Information

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

As at 30th June, 2010, the interests and short positions of each Director in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the company/ associated corporation	Capacity	Number of ordinary shares of the Company (“Shares”) (Note 1)	Approximate percentage in the entire issued share capital of the Company
Dong Li Yong	The Company	Beneficial owner	3,000,000	0.44%
	The Company	Beneficial owner	1,403,460	0.21%
			4,403,460	0.65%
Liu Xiao Guang	The Company	Beneficial owner	600,000	0.09%
	The Company	Beneficial owner	701,730	0.10%
			1,301,730	0.19%
Chen Yunhua	The Company	Beneficial owner	1,500,000 (Note 3)	0.22%
Qi Guang Ya	The Company	Beneficial owner	701,730 (Note 2)	0.10%

Other Information

notes:

1. All interests in the Shares and underlying shares of the Company were long positions. None of the Directors held any short position in the Shares and underlying shares of the Company.
2. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 27th May, 2009 under the share option scheme of the Company with an exercise price of HK\$0.9063 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.
3. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Director on 19th April, 2010 under the share option scheme of the Company with an exercise price of HK\$1.716 per Share.

Save as disclosed above and in this interim report, as at 30th June, 2010, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company's associated corporations.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2010, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name of the Shareholder	Capacity	Number of Shares (Note 1)	Approximate percentage in the entire issued share capital of the Company
Yue Da Group (H.K.) Co., Limited	Beneficial owner	252,016,000	36.92%
Jiangsu Yue Da Group Company Limited	Interest of a controlled corporation	252,016,000 (Note 2)	36.92%
Feilong Holdings Limited	Beneficial owner	40,666,666 (Note 3)	5.96%
Pure Talent Investments Limited	Interest of a controlled corporation	40,666,666 (Note 3)	5.96%
Mr Yang Long	Interest of a controlled corporation	40,666,666 (Note 3)	5.96%

notes:

1. All interests in the Shares are long positions.
2. These Shares are registered in the name of Yue Da Group (H.K.) Co., Limited. Jiangsu Yue Da Group Company Limited holds the entire issued share capital of Yue Da Group (H.K.) Co., Limited.
3. Mr Yang Long holds 100% interest in Pure Talent Investments Limited which in turn holds 100% interest in Feilong Holdings Limited.

Other Information

SHARE OPTION SCHEME

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

Name or category of participant	At 1 January 2010	Granted during the Period	Adjustment on open offer	Exercised during the Period	At 30 June 2010	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$ per Share
Directors								
Hu You Lin								
(deceased)	700,000	–	118,685	–	818,685	27 May 2009	28 May 2009 to 26 May 2019	0.9063
(Note)	1,800,000	–	305,190	–	2,105,190	27 May 2009	9 July 2009 to 24 May 2018	0.9063
	<u>2,500,000</u>	<u>–</u>	<u>423,875</u>	<u>–</u>	<u>2,923,875</u>			
Dong Li Yong	300,000	–	50,865	–	350,865	27 May 2009	28 May 2009 to 26 May 2019	0.9063
	900,000	–	152,595	–	1,052,595	27 May 2009	9 July 2009 to 24 May 2018	0.9063
	<u>1,200,000</u>	<u>–</u>	<u>203,460</u>	<u>–</u>	<u>1,403,460</u>			
Liu Xiao Guang	300,000	–	50,865	–	350,865	27 May 2009	28 May 2009 to 26 May 2019	0.9063
	600,000	–	50,865	(300,000)	350,865	27 May 2009	9 July 2009 to 24 May 2018	0.9063
	<u>900,000</u>	<u>–</u>	<u>101,730</u>	<u>(300,000)</u>	<u>701,730</u>			
Chen Yunhua	–	1,500,000	–	–	1,500,000	19 April 2010	20 April 2010 to 19 April 2020	1.716
	<u>–</u>	<u>1,500,000</u>	<u>–</u>	<u>–</u>	<u>1,500,000</u>			
Qi Guang Ya	600,000	–	101,730	–	701,730	27 May 2009	9 July 2009 to 24 May 2018	0.9063
	<u>600,000</u>	<u>–</u>	<u>101,730</u>	<u>–</u>	<u>701,730</u>			
Other employees of the Group								
	4,590,000	–	778,235	(422,214)	4,946,021	27 May 2009	28 May 2009 to 26 May 2019	0.9063
	6,210,000	–	1,062,907	(470,173)	6,792,734	27 May 2009	9 July 2009 to 24 May 2018	0.9063
	<u>–</u>	<u>1,700,000</u>	<u>–</u>	<u>–</u>	<u>1,700,000</u>	19 April 2010	20 April 2010 to 19 April 2020	1.716
	<u>10,800,000</u>	<u>1,700,000</u>	<u>1,831,142</u>	<u>(892,387)</u>	<u>13,438,755</u>			
Total	16,000,000	3,200,000	2,661,937	(1,192,387)	20,669,550			

No share options were cancelled or lapsed during the Period.

Other Information

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

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

Executive Directors	Non-executive Director	Independent non-executive Directors
Dong Li Yong	Chen Yunhua	Leung Mei Han
Liu Xiao Guang	Qi Guang Ya	Cui Shu Ming
		Han Run Sheng
		Liu Yongping

By order of the Board
Yue Da Mining Holdings Limited
Chen Yunhua
Chairman

Hong Kong, 30th August, 2010