悦 達 礦 業 控 股 有 限 公 司

Yue Da Mining Holdings Limited

Stock code : 629

2010 Annual Report

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
33/F, China Merchants Tower
Shun Tak Centre
No. 168–200 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

Ms. Leung Mei Han, Mr. Cui Shuming,
Mr. Han Runsheng and Dr. Liu Yongping

AUDIT COMMITTEE:

Ms. Leung Mei Han (Chairman), Mr. Qi Guangya and Mr. Cui Shuming

REMUNERATION COMMITTEE:

Mr. Cui Shuming (Chairman), Mr. Dong Li Yong and Mr. Han Runsheng

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,
Wanchai, 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 RMB286,293,000 with a gross profit of RMB104,918,000 and gross profit margin of approximately 36.65%.

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, 2010 (the "Year").

FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Group for the Year amounted to RMB350,816,000 and RMB129,063,000, representing an increase of approximately 67.28% and 161.49%, respectively, over the year ended 31st December, 2009 ("2009"). Audited profit and total comprehensive income attributable to owners of the Company amounted to RMB35,529,000 for the Year, compared with the audited loss and total comprehensive expense attributable to owners of the Company amounted to RMB52,881,000 in 2009. Basic earnings per share was RMB5.71 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").

Mining Operations

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, iron ore concentrates and gold 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 Year 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 Nonferrous Metal Co., Ltd. ("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") is expanding 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 were completed.

On 30 June, 2010, the Group completed the acquisition of 70% interests in Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua") which is the holder of mining rights of a gold mine and an exploration licence of an iron mine in Anhui Province, the People's Republic of China (the "PRC"). Tong Ling Guan Hua has significant contribution to the revenue and cashflow to the Group during the Year.

To maintain recurring sales and cashflow to the Group, the four existing strategic co-operation agreements with a term of 10 years which were entered with Zhuzhou Smelter Group Co. Limited ("Zhuzhou Smelter"), Yunnan Yuntong Zinc Alloy Company Limited ("Yunnan Yuntong"), Panzhihua Steel Group International Economic Trading Company Limited ("Panzhihua Steel Company") and Wugang Group Kunming Iron and Steel Company Limited ("Kunming Steel Company") being a subsidiary of Wuhan Iron and Steel (Group) Corp, details of which were disclosed in the announcements of the Company dated 21 November, 2008, 9 December, 2008 and 22 December, 2009, respectively, continued to be in force during the Year.

PROSPECTS

The Group has always sought to upgrade its 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 2011, on one hand, the Company's strategy is to realize its potential processing 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 seize the opportunity for 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.

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 24th March, 2011

Management Discussion and Analysis

The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 7,112 metal tons, lead ore concentrates of 3,395 metal tons, silver of 4,362 kilograms, iron ore concentrates of 188,557 tons and gold of 141.572 kilograms.

FINANCIAL HIGHLIGHTS

The Group recorded an operating revenue of RMB350,816,000 in the Year, representing an increase of approximately 67.28% over RMB209,713,000 in 2009. Gross operating profit amounted to RMB129,063,000 in the Year, representing an increase of approximately 161.49% as compared to RMB49,356,000 in 2009. The nonferrous metal market started to improve from the third quarter of 2009 after the global financial turmoil that surfaced in the third quarter of 2008. The audited profit and total comprehensive income attributable to the owners of the Company for the Year amounted to RMB35,529,000, compared with the audited loss and total comprehensive expenses attributable to owners of the Company amounted to RMB52,881,000 in 2009 and basic earnings per share amounted to RMB5.71 cents for the Year.

DIVIDENDS

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

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 RMB286,293,000 with a segment profit of RMB61,484,000. The Toll Road Operations recorded a net operating revenue of RMB64,523,000 and a segment profit of RMB14,721,000.

Mining Operations

During the Year, the Mining Operations recorded an operating revenue of RMB286,293,000 with a gross profit of RMB104,918,000 and gross profit margin of approximately 36.65%. The ores extracted during the Year amounted to 1,206,589 tons with a unit mining cost (including gold ores) of approximately RMB61 per ton (2009: RMB84 per ton) and a unit processing cost (including gold ores) of approximately RMB49 per ton (2009: RMB58 per ton). The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 7,112 metal tons, lead ore concentrates of 3,395 metal tons, silver of 4,362 kilograms, iron ore concentrates of 188,557 tons and gold of 141.572 kilograms. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB9,342 per metal ton for zinc ore concentrates, RMB14,253 per metal ton for lead ore concentrates (with silver content), RMB637 per ton for iron ore concentrates and RMB293 per gram of gold.

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 26,483 during the Year (2009: 19,982) while the operating revenue achieved RMB64,523,000, which represented an increase of approximately 16.05% over RMB55,597,000 in 2009. 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.

Co-operation with 四川省鹽源縣平川鐵礦 Sichuan Province Yanyuan County Pingchuan Iron Mine ("Pingchuan Iron")

On 20th May, 2010, Pingchuan Iron and Yue Da Pingchuan Limited ("Yue Da Pingchuan"), a wholly owned subsidiary of the Company, entered into a joint venture agreement in relation to the formation of 涼山州悅川礦業有限責任公司 Liangshan Prefecture Yuechuan Mining Co., Limited ("Yuechuan JV") in the PRC. On 2nd July, 2010, Pingchuan Iron and Yue Da Pingchuan entered into a supplemental joint venture agreement in relation to the development of Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC ("Pingchuan Iron Mine") by Yuechuan JV. Yuechuan JV, a limited liability company, was formed on 8th July, 2010. The registered capital of Yuechuan JV is RMB100 million and the equity interest of which is owned as to 49% by Yue Da Pingchuan and 51% by Pingchuan Iron. Yue Da Pingchuan and Pingchuan Iron contributed RMB49 million and RMB51 million respectively to the registered capital of Yuechuan JV. The board of directors of Yuechuan JV consists of five directors of which two directors were nominated by Pingchuan Iron and three directors were nominated by Yue Da Pingchuan. As Yue Da Pingchuan has the right to appoint a majority of the board of directors of Yuechuan JV, Yuechuan JV is regarded as a non-wholly owned subsidiary of the Company. Yuechuan JV is expected to embark on the development of 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 2012;

(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.

The production model at the Pingchuan Iron Mine, which is proposed to be further developed by Yuechuan JV, 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.

Acquisition of gold mines in 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, based on agreement, 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 (iii) the remaining HK$109.2 million by payment of cash. Absolute Apex indirectly owns 70% interests in 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.

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. The Company raised a net proceeds of approximately HK$384 million and which has been applied or reserved for the following purpose:

(i) approximately HK$28 million for the repayment of promissory notes;

(ii) approximately HK$40 million for the repayment of the amount due to related company;

(iii) approximately HK$15 million for the repayment of the consideration payable for the acquisition of subsidiaries;

(iv) approximately HK$33 million as partial payment of the consideration for the acquisition of 100% interests in Absolute Apex;

(v) approximately HK$95 million for the repayment of bank loans;

(vi) approximately HK$16 million to be used as general working capital;

(vii) approximately HK$57 million to be reserved for project(s) to be developed by Yuechuan JV; and

(viii) approximately HK$100 million for other potential investment(s) of the Group.

Prospect

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 focus on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates. 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 is taking further steps to accelerate the mining activities of mine No. 8 for increasing recovery. Tong Ling Guan Hua also has started to contribute both revenue and profit to the Group. Meanwhile, the optimization of its operation flow is in progress. Looking forward, in 2011, the environment for the mining business is expected to be improved as compared to 2010. As market prices of non-ferrous metal have picked up, the Board plans to implement a number of strategies, including gradual restoration of the production of Wengniute Banner Mining with reinforced efforts, acceleration of the construction of the newly built processing plant of Daqian Mining and consolidation of the peripheral mineral resources of the existing mining companies. The Company also introduces measures in order to reduce its gearing ratio.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1st June, 2011 to 9th June, 2011, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 9th June, 2011, all transfer of shares in the Company accompanied by the relevant share certificates must be 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 31st May, 2011.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2010, the Group's current assets were RMB388,018,000 (2009: RMB97,775,000), of which RMB253,741,000 (2009: RMB34,481,000) were bank balances and cash. As at 31st December, 2010, the net asset value of the Group amounted to RMB1,199,751,000, representing an increase of approximately 83.70% as compared to RMB653,108,000 in 2009. The gearing ratio (total liabilities/total assets) of the Group was approximately 45.37% (2009: 57.71%).

As at 31st December, 2010, the issued share capital of the Company was RMB64,773,000 (2009: RMB33,122,000). The Company's reserve and minority interests were RMB863,233,000 (2009: RMB493,802,000) and RMB271,745,000 (2009: RMB126,184,000), respectively. As at 31st December, 2010, the Group had total current liabilities of RMB376,786,000 (2009: RMB93,134,000), mainly comprising bank borrowings, the promissory notes, taxation payable, amount due to related companies and trade and other payables. The total non-current liabilities of the Group amounted to RMB619,437,000 (2009: RMB798,172,000), mainly bank borrowings, consideration payable for acquisition of subsidiaries and 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, 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 31st December, 2010, the Group had a total of approximately 1,320 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 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 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 LISTED SECURITIES

Neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the listed securities 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 (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 E.1.3). 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 Year.

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 Guangya (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. At a meeting held on 24th March, 2011, the audit committee reviewed the accounting principles and practices adopted by the Group, the annual results of the Group for the Year, the 2010 audited annual financial statements and the continuing 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 Shuming (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.

Corporate Governance Report

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

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 (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 attend 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 E.1.3). The Board will ensure that in future, notices of general meetings will be send to shareholders of the Company before the minimum periods as prescribed in the Code.

The status of the Company's compliance with the Code during the Year 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 the Year was set out as follows:

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

Notes:

1. Mr. Cai Chuan Bing has ceased to be an independent non-executive Director with effect from 26th May, 2010.

2. Dr. Liu Yongping was appointed as independent non-executive Director on 15th June, 2010.

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 separated 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, 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, 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	*Chief Executive Officer/Executive director*
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*
Han Runsheng	*Independent non-executive director*
Liu Yongping	*Independent non-executive director*

Audit Committee member	
Leung Mei Han	*Chairman*
Qi Guangya	
Cui Shuming	

Remuneration Committee member	
Cui Shuming	*Chairman*
Dong Li Yong	
Han Runsheng	

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 25 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.

Mr. Cai Chuan Bing did not offer himself for re-election at the 2010 AGM and has retired as an independent non-executive Director with effect from 26th May, 2010. On 15th June, 2010, Dr. Liu Yongping was appointed as an independent non-executive Director of the Company.

Save for the above, there was no other change in the composition of the Board in the Year.

Mr. Dong Li Yong, an executive Director, 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, entered into a service agreement with the Company for a term of one year with effect from 2nd January, 2011. 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 a non-executive Director for a term of one year, with effect from 2nd January, 2011. 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, 2011. Dr. Liu Yongping have been appointed as an independent non-executive Director for a term of one year with effect from 15th June, 2010.

Pursuant to Article 108 (A) of the Articles of Association of the Company, Mr. Dong Li Yong, Mr. Liu Xiaoguang and Mr. Han Runsheng will retire by rotation. Mr. Dong Li Yong, Mr. Liu Xiaoguang and Mr. Han Runsheng, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Further, in accordance with Article 112 of the Articles of Association, Mr. Liu Yongping (appointed by the Board as an independent non-executive Director with effect from 15th June, 2010) shall hold office until the first general meeting after his appointment. i.e. the forthcoming annual general meeting and, being eligible, offer himself for re-election at the forthcoming 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 2010 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. Han Runsheng, independent non-executive Directors, with Mr. Cui Shuming as the chairman of the Remuneration 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 the Year. 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 8 and 34 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 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 the Year, the Directors:

(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 Ms. Leung Mei Han and Mr. Cui Shuming, independent non-executive Directors, and Mr. Qi Guangya, a non-executive Director, with Ms. Leung Mei Han as the chairman of the Audit 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; and

(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 the Year, 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 the Year, the fee paid/payable by the Company to the external auditor, Deloitte Touche Tohmatsu, was HK$3,800,000 (including HK$1,300,000 for review of interim results).

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 the Year, the Company held two general meetings (including the 2010 AGM), 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 and E.1.3 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 40, 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 eleven 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 57, 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 17 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 57, 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 41, joined the Group as a 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 20 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 46, 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 Nonferrous 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.

Ms. LEUNG Mei Han, aged 52, has been appointed as an independent non-executive 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 26 years' experience in accounting, securities, corporate finance and related areas. Ms. Leung is also an independent non-executive 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 73, 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 International Financial Holdings Limited, 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.

Dr. LIU Yongping, aged 55, is a consultant of a firm of solicitors in Hong Kong. Dr. Liu graduated from Renmin University of China (中國人民大學) in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr. Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr. Liu worked for the People's Government of Beijing. At present, Dr. Liu is a practicing solicitor in Hong Kong. Dr. Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr. Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr. Liu is acquainted with matters concerning the Listing Rules.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Hu Huaimin, aged 38, the executive vice president of the Company. His major job responsibilities include the operation and management of mining projects. He graduated from the Law School of Nanjing University 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. 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 46, 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 48, 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 a senior accountant in the PRC. Mr Bai is primarily responsible for accounting and financial matters. Mr. Bai has over 28 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 38, 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 15 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, 2010.

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31st December, 2010 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 108.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB23,152,000 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 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2010 are set out in Note 33 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, 2010, which represent the share premium, contributed surplus and accumulated losses, were RMB836,980,000.

DIRECTORS

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

Executive directors:

Mr. Dong Li Yong
Mr. Liu Xiaoguang

Non-executive directors:

Mr. Chen Yunhua *(Chairman)*
Mr. Qi Guangya

Independent non-executive directors:

Mr. Cai Chuan Bing	(resigned on 26th May, 2010)
Ms. Leung Mei Han	
Mr. Cui Shuming	
Mr. Han Runsheng	
Dr. Liu Yongping	(appointed on 15th June, 2010)

In accordance with Article 108(A) of the Company's Articles of Association, Mr. Dong Li Yong, Mr. Liu Xiaoguang and Mr. Han Runsheng will retire by rotation. Mr. Dong Li Yong, Mr. Liu Xiaoguang and Mr. Han Runsheng, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Further, in accordance with Article 112 of the Company's Articles of Association, Dr. Liu Yongping shall hold office only until the first general meeting after his appointment i.e. the forthcoming annual general meeting, being eligible, will offer himself for re-election at the forthcoming annual general meeting of the Company.

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, 2010, 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	3,000,000 (L)	0.44%	350,865 (note iii)
	The Company	Beneficial Owner	—	—	1,052,595 (note iv)
Liu Xiaoguang	The Company	Beneficial Owner	600,000 (L)	0.09%	350,865 (note iii)
	The Company	Beneficial Owner	—	—	350,865 (note iv)
Qi Guangya	The Company	Beneficial Owner	—	—	701,730 (note iv)
Chen Yunhua	The Company	Beneficial Owner	—	—	1,500,000 (note v)

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 685,554,928 shares in issue as at 31st December, 2010.

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$0.91 per share during the period from 28th May, 2009 to 26th May, 2019. The exercise price and the number of share options outstanding at 31st December, 2010 have been adjusted to reflect the effect of the open offer on 4th March, 2010.

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$0.91 per share during the period from 9th July, 2009 to 24th May, 2018. The exercise price and the number of share options outstanding at 31st December, 2010 have been adjusted to reflect the effect of the open offer on 4th March, 2010.

v. These represent share which would be allotted and issued upon the exercise in full of the options offered to the director on 19th April, 2010 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$1.72 per share during the period from 20th April, 2010 to 19th April, 2020.

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, 2010.

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 26th May, 2010 such 10% limit was approved to be refreshed and re-set at 65,211,409 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 34 to the consolidated financial statements.

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

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2010	Exercised before adjustment during the year	Adjustment during the year (note)	Exercised After adjustment during the year	Granted during the year	Forfeiture during the year	Outstanding at 31st December, 2010
Directors of the Company	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	1,300,000	–	220,415	(818,685)	–	–	701,730
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	3,900,000	(300,000)	610,380	(2,105,190)	–	–	2,105,190
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	–	–	–	–	1,500,000	–	1,500,000
				5,200,000	(300,000)	830,795	(2,923,875)	1,500,000	–	4,306,920
Employees	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	4,590,000	–	778,235	(422,214)	–	–	4,946,021
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	6,210,000	–	1,052,907	(470,173)	–	–	6,792,734
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	–	–	–	–	980,000	(280,000)	700,000
	19th April, 2010	1.716	20th April, 2011 to 19th April, 2020	–	–	–	–	360,000	(210,000)	150,000
	19th April, 2010	1.716	20th April, 2012 to 19th April, 2020	–	–	–	–	360,000	(210,000)	150,000
	16th December, 2010	1.35	17th December, 2010 to 16th December, 2020	–	–	–	–	144,000	–	144,000
	16th December, 2010	1.35	17th December, 2011 to 16th December, 2020	–	–	–	–	108,000	–	108,000
	16th December, 2010	1.35	17th December, 2012 to 16th December, 2020	–	–	–	–	108,000	–	108,000
				10,800,000	–	1,831,142	(892,387)	2,060,000	(700,000)	13,098,755
	Total			16,000,000	(300,000)	2,661,937	(3,816,262)	3,560,000	(700,000)	17,405,675
	Exercisable at the end of the year			16,000,000						17,405,675
	Weighted average exercise price (HK$)			1.06	1.06	0.91	0.91	1.68	1.72	1.03

note: The exercise price and the number of share-options outstanding at 31st December, 2010 have been adjusted to reflect the effect of the open offer on 4th March, 2010.

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, 2010 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 27th August, 2010, 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, 2010 to 31st August, 2013. 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, 2010 to 31st December, 2012 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, 2010, the total rentals paid by the Company to Yue Da HK and Yue Da Enterprise are HK$2,700,000 (equivalent to RMB2,358,000) and HK$240,000 (equivalent to RMB210,000), 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, 2010.

ii. Iron ore supply agreement between Liangshan Prefecture Yuechuan Mining Co., Limited ("Yuechuan JV") and 四川省鹽源縣平川鐵礦 (Sichuan Province Yanyuan County Pingchuan Iron Mine*) ("Pingchuan Iron")

On 14th December, 2010, Yuechuan JV, a non-wholly owned subsidiary of the Company entered into an agreement with, Pingchuan Iron, a substantial shareholder of Yuechuan JV, in respect of the purchase of iron ores and related products by Yuechuan JV from Pingchuan Iron on an ongoing basis. As Pingchuan Iron is a substantial shareholder of Yuechuan JV and is interested in 51% of the equity interest in Yuechuan JV, it is a connected party of the Company. During the year ended 31st December, 2010, the total purchase amount was RMB7,726,000.

iii. Wen An Section Maintenance agreement between Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") and Langfang Municipal Communications Bureau ("Langfang Communications Bureau")

On 20th November, 2003, Langfang Tongda, a non-wholly owned subsidiary of the Company entered into an agreement with, Langfang Communications Bureau, a substantial shareholder of Langfang Tongda, in respect of the provision of repair and maintenance services of the Wen An Section by Langfang Communications Bureau on an ongoing basis. The repair and maintenance charges in respect of the relevant toll highway were charged at 15% from 1st July, 2003 to 31st December, 2009 and 18% commencing from 1st January, 2010 of the total amount of gross toll collected. As Langfang Transport and Highway Engineering Company Limited ("Langfang Road Engineering") was established and is operated by Langfang Communications Bureau, while Langfang Road Engineering is interested in 49% of the equity interest in Langfang Tongda, it is a substantial shareholder of Langfang Tongda and is a connected party of the Company. In June 2010, certain amendments were made to the Listing Rules. In particular, it is provided in the revised Rule 14A.12A(2) that the Stock Exchange will not normally treat a PRC governmental body as a connected person of a listed issuer. With the application of the aforesaid new Rule 14A.12A(2), Langfang Communications Bureau is no longer regarded as a connected person of the Company under the Listing Rules and the aforesaid repair and maintenance services accordingly do not constitute continuing connected transactions for the Company. During the year ended 31st December 2010, up to the date of revision of Listing Rules, the total service charge is RMB5,048,000.

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 43 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, 2010, 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	252,016,000 (L)	36.76%
Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da") (note iii)	The Company	Interest of a controlled corporation	252,016,000 (L)	36.76%
Feilong Holdings Limited	The Company	Beneficial owner	40,666,666 (L)	5.93%
Pure Talent Investments Limited (note iv)	The Company	Interest of a controlled corporation	40,666,666 (L)	5.93%
Mr. Yang Long (note iv)	The Company	Interest of a controlled corporation	40,666,666 (L)	5.93%

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 685,554,928 shares in issue as at 31st December, 2010.

(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, 2010, 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 58% of the Group's total revenue and the largest customer accounted for approximately 24% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 37% of the Group's total purchases and the largest suppliers accounted for approximately 11% of the Group's total purchases.

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, 2010.

DONATION

During the year, the Group made charitable and other donations amounting to RMB368,000.

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

24th March, 2011

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 107, which comprise the consolidated statement of financial position as at 31st December, 2010, 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 information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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.

Independent Auditor's Report

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, 2010 and of the Group's profit 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

24th March, 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Revenue	5	**350,816**	209,713
Cost of sales		**(181,375)**	(128,567)
Direct operating costs		**(40,378)**	(31,790)
Gross profit		**129,063**	49,356
Other income		**7,959**	12,553
Other gains and losses	7	**6,867**	(2,435)
Gain on bargain purchase of acquisition of subsidiaries	37	**13,405**	—
Administrative expenses		**(67,414)**	(67,704)
Finance costs	9	**(29,529)**	(32,055)
Other expenses	10	**(1,313)**	—
Profit (loss) before tax		**59,038**	(40,285)
Income tax expense	11	**(15,436)**	(6,895)
Profit (loss) and total comprehensive income (expense) for the year	12	**43,602**	(47,180)
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		**35,529**	(52,881)
— Non-controlling interests		**8,073**	5,701
		43,602	(47,180)
Earnings (loss) per share	13		
— Basic		**5.71 cents**	(13.89) cents
— Diluted		**5.65 cents**	(13.89) cents

Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
Non-current Assets			
Property, plant and equipment	14	**202,670**	193,748
Prepaid lease payments	15	**2,504**	2,633
Mining rights	16	**1,507,303**	1,140,244
Goodwill	17	**482**	482
Other intangible assets	18	**63,938**	84,235
Long term deposits	19	**7,455**	2,848
Other financial asset	20	**23,604**	22,449
		1,807,956	1,446,639
Current Assets			
Prepaid lease payments	15	**208**	208
Inventories	21	**32,957**	18,184
Trade and other receivables	22	**68,720**	18,038
Amounts due from related companies	23	**32,392**	26,864
Bank balances and cash	24	**253,741**	34,481
		388,018	97,775
Current Liabilities			
Trade and other payables	25	**49,885**	25,542
Amounts due to a related company	23	**25,996**	—
Amounts due to directors	26	**344**	352
Taxation payable		**9,342**	3,047
Promissory notes — due within one year	27	**40,957**	2,733
Bank borrowings — due within one year	28	**250,262**	61,460
		376,786	93,134
Net Current Assets		**11,232**	4,641
Total Assets Less Current Liabilities		**1,819,188**	1,451,280

	NOTES	2010 RMB'000	2009 RMB'000
Capital and Reserves			
Share capital	33	**64,773**	33,122
Reserves		**863,233**	493,802
Equity attributable to owners of the Company		**928,006**	526,924
Non-controlling interests		**271,745**	126,184
Total equity		**1,199,751**	653,108
Non-current Liabilities			
Other payables	25	**22,106**	21,970
Amounts due to a related company	23	**—**	60,155
Promissory notes — due after one year	27	**54,668**	68,820
Bank borrowings — due after one year	28	**87,592**	274,620
Consideration payable for acquisition of subsidiaries	29	**55,984**	69,121
Provisions	30	**2,496**	2,037
Deferred tax liabilities	31	**364,315**	267,880
Deferred income	32	**32,276**	33,569
		619,437	798,172
		1,819,188	1,451,280

The consolidated financial statements on pages 39 to 107 were approved and authorised for issue by the board of directors on 24th March, 2011 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, 2010

	Attributable to owners of the Company										
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Retained profits (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000 (note i)	RMB'000 (note ii)	RMB'000 (note iii)	RMB'000	RMB'000 (note iv)	RMB'000	RMB'000	RMB'000	RMB'000
At 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 non-controlling 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 and 1st January, 2010	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 year	–	–	–	–	–	–	–	35,529	35,529	8,073	43,602
Deemed distribution to the ultimate parent from early repayment of non-current interest-free loan (Note 23)	–	–	–	–	(5,466)	–	–	–	(5,466)	–	(5,466)
Deemed distribution to a shareholder from early repayment of promissory notes (Note 27)	–	–	–	–	(4,217)	–	–	–	(4,217)	–	(4,217)
Deemed contribution from a shareholder (Note 27)	–	–	–	–	644	–	–	–	644	–	644
Acquisition of subsidiaries (Note 37)	–	–	–	–	–	–	–	–	–	93,000	93,000
Shares issued (Note 33)	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	–	–	–	–	–	1,962	–	–	1,962	–	1,962
Exercise of share options	361	4,718	–	–	–	(1,776)	–	–	3,303	–	3,303
Capital contribution from non-controlling interests (note v)	–	–	–	–	–	–	–	–	–	51,000	51,000
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,512)	(6,512)
Transfer	–	–	7,181	–	–	–	–	(7,181)	–	–	–
At 31st December, 2010	64,773	830,077	29,574	157,178	23,361	18,646	(59,372)	(136,231)	928,006	271,745	1,199,751

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 (distribution 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 years, 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 year end 31st December, 2010, the Group early repaid a portion of the loan with a nominal value of RMB41,220,000. A difference of RMB5,466,000 between the carrying value and the nominal value of this repaid portion of loan on the date of repayment has been recognised as a deemed distribution to Jiangsu Yue Da. Details are set out in Note 23;

(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 non-controlling shareholder of the Company's mining subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"). Mr. Yang Long had significant influence over the mining subsidiaries of the Company until 1st October, 2010 and therefore he and his affiliates were related parties of the Company until 1st October, 2010. This relationship ceased from 1st October, 2010 onwards. Pursuant to Rule 1.01 of the Listing Rules, Mr. Yang Long was also a substantial shareholder of the Company until 28th July, 2009. Therefore Mr. Yang Long ceased to be a connected party of the Company from 28th July, 2009 onwards. In prior years, 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 year ended 31st December, 2010, the Group early repaid a portion of the promissory notes with a nominal value of RMB59,699,000 and Feilong Holdings Limited ("Feilong Holdings"), a company controlled by Mr. Yang Long, agreed to extend the repayment date of the remaining portion with a nominal value of RMB17,196,000 to 1st July, 2012. A difference of RMB4,217,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment and the difference of RMB644,000 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 of promissory notes at the date of extension has been recognised as a deemed distribution to a shareholder and a deemed capital contribution from a shareholder, respectively. Details are set out in Note 27.

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

(v) This represents the non-controlling interest share of Liangshan Prefecture Yuechuan Mining Co., Limited ("Liangshan") which was incorporated on 8th July, 2010.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010

	2010 **RMB'000**	2009 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**59,038**	(40,285)
Adjustments for:		
Amortisation of mining rights	**36,090**	22,111
Finance costs	**29,529**	32,055
Depreciation of property, plant and equipment	**27,024**	23,589
Amortisation of other intangible assets	**20,297**	16,589
Share-based payment expenses	**1,962**	6,077
Release of prepaid lease payments	**129**	140
Loss on disposal of property, plant and equipment	**18**	1,316
Gain on disposal of subsidiaries	**—**	(1,358)
Gain on bargain purchase of acquisition of subsidiaries	**(13,405)**	—
Net income arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries	**(4,007)**	(10,626)
Interest income	**(1,972)**	(114)
Imputed interest income on deferred income	**(1,293)**	(1,813)
(Gain) loss from change in fair value of financial asset designated as at fair value through profit or loss	**(1,155)**	4,472
Operating cash flows before movements in working capital	**152,255**	52,153
Increase in long term deposits	**(4,607)**	—
(Increase) decrease in inventories	**(10,502)**	2,057
Increase in trade and other receivables	**(49,651)**	(344)
(Increase) decrease in amounts due from related companies	**(5,123)**	9,637
Increase (decrease) in trade and other payables	**9,024**	(20,733)
Cash generated from operations	**91,396**	42,770
Income tax paid	**(10,039)**	(4,254)
NET CASH FROM OPERATING ACTIVITIES	**81,357**	38,516

	NOTES	2010 RMB'000	2009 RMB'000
INVESTING ACTIVITIES			
Acquisition of subsidiaries (net of cash and cash equivalents acquired of)	37	**(95,676)**	—
Purchase of property, plant and equipment		**(23,152)**	(42,298)
Advance to related companies		**(405)**	(19,448)
Interest received		**1,972**	114
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	38	**380**	5,920
Proceeds from disposal of property, plant and equipment		**46**	363
NET CASH USED IN INVESTING ACTIVITIES		**(116,835)**	(55,349)
FINANCING ACTIVITIES			
Proceeds on open offer of new shares		**343,922**	—
Bank borrowings raised		**167,052**	80,000
Capital contribution from non-controlling interest		**51,000**	—
Proceeds from issue of shares upon exercise of share options		**3,303**	—
Repayment of bank borrowings		**(165,278)**	(116,844)
Repayment of promissory notes		**(59,699)**	(13,786)
Repayment to related companies		**(42,264)**	(5,168)
Interest paid		**(14,136)**	(14,854)
Repayment of consideration payable		**(13,318)**	—
Dividend paid to non-controlling shareholders		**(6,512)**	(6,522)
Transaction cost attributable to issue of shares		**(5,624)**	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**258,446**	(77,174)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**222,968**	(94,007)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**34,481**	128,856
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(3,708)**	(368)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		**253,741**	34,481

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 of Hong Kong Limited (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) exploration, mining and processing of zinc, lead, copper, iron and gold; 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. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised Standards and Interpretations applied in the current year

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January, 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

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

HKFRS 3 (as revised in 2008) Business Combinations — continued

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. In the current year, in accounting for the acquisition of the equity interest in Absolute Apex Limited ("Absolute Apex") and its subsidiaries, Ample Source Investment Limited ("Ample Source") and Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), the Group has elected to measure the non-controlling interest at the proportionate share of Absolute Apex and its subsidiaries' net identifiable assets at the date of acquisition, accordingly, it has had no impact on the results and the financial position of the Group.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss. In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant at the date of acquisition and the end of the reporting period, accordingly, it has had no material impact of the results and the financial position of the Group.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition. As a result, the Group has recognised such costs of RMB1,313,000 as an expense which included in "other expenses" in profit or loss, whereas previously they would have been accounted for as part of the cost of the acquisition.

In current year, the application of HKFRS3 (as revised in 2008) has had no impact on the results and financial position of the Group.

Amendments to HKAS 32 Classification of Rights Issues

Amendments to HKAS 32 require that right issues, option or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights issues, option or warrants pro rata to all its existing owners of the same class of its own non-derivative equity instruments. The Group have early adopted the amendments and the offer of rights by the Company to its shareholder on 4th March, 2010 was then accounted for as an equity instrument, as required by the amendments, in the consolidated financial statement of the Group. The early adoption of the amendment has resulted in an increase in the profit for the year of RMB5,595,000 being the fair value loss of the derivatives.

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

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January 2010 based on information that existed at the inception of the leases. The adoption of the amendment to HKAS 17 "Leases" has had no impact on the results and financial position of the Group.

HK — Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 "Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

As at 31st December 2010, bank borrowings with a repayment on demand clause with the aggregate carrying amount of RMB106,652,000 (2009: Nil) are included in current liabilities. No reclassification is required in the consolidated statement of financial position. The directors of the Company consider that the application of HK Int 5 had no impact on the consolidated financial statements of the Group for the current or prior accounting periods.

The consolidated statement of financial position as at 1st January, 2009 has not been presented as the application of the new and revised Standards and Interpretation had no impact on the consolidation statement of financial position as at 31st December, 2009 and as at 1st January, 2009.

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

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current year by line items are as follows:

	RMB'000
Increase in other expense	(1,313)
Decrease on gain on bargain purchase of acquisition of subsidiaries	1,313
Decrease on loss on derivative financial instruments	5,595
Increase in profit for the year	5,595

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current year are as follows:

Impact on basic and diluted earnings per share

	RMB'000
Figures before adjustments	29,934
Adjustments arising from the changes in the Group's accounting policies in relation to:	
— business combination	—
— right issue	5,595
Figures after adjustments	35,529

	Impact on basic earnings per share RMB cents	Impact on diluted earnings per share RMB cents
Figures before adjustments	4.81	4.76
Adjustments arising from the changes in the Group's accounting policies in relation to:		
— business combination	—	—
— right issue	0.90	0.89
Figures after adjustments	5.71	5.65

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

New and revised Standards and Interpretation issued but not yet effective

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008)[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate.

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

3 Effective for annual periods beginning on or after 1st July, 2011.

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

5 Effective for annual periods beginning on or after 1st January, 2012.

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

Except for early application of HKAS 32 (Amendment), the Group has not early applied other new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

New and revised Standards and Interpretation issued but not yet effective — continued

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

  HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

  The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31st December, 2013. The directors do not anticipate that the application of the new Standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1st January, 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries prior to 1st January, 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations that took place on or after 1st January, 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

Changes in the Group's ownership interests in existing subsidiaries — continued

Business combinations that took place on or after 1st January, 2010 — continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset is remeasured at subsequent reporting dates in accordance with HKAS 39, with the corresponding gain or loss being recognised in profit or loss.

Business combinations that took place prior to 1st January, 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Such properties are classified to the appropriate categories 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.

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.

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 reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. 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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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.

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 consolidated 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 ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at 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 FVTPL

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

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Financial assets at FVTPL — 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

- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — 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 instruments

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 a related company/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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial liabilities and equity 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 in its entirety, 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).

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 FVTPL 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. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 over the vesting period, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation — continued

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.

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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, 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 8 to 25 years for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of one 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. As at 31 December, 2010, the carrying amount of mining right was RMB1,507,303,000 (2009: RMB1,140,244,000).

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. As at 31 December, 2010, the carrying amount of other intangible assets was RMB63,938,000 (2009: RMB84,235,000).

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. As at 31 December, 2010, the carrying amount of other financial assets was RMB23,604,000 (2009: RMB22,449,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

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. As at 31st December, 2010, the carrying amount of provisions was RMB2,496,000 (2009: RMB2,037,000).

Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination is valued using a discounted cash flow model, based on the estimated compensation received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on i) the estimated profits of Tong Ling Guan Hua attributable to the Group; ii) weight average unit selling price of the gold and; iii) the quantity of gold produced by Tong Ling Guan Hua.

The estimation of compensation involves assumptions, such as selling quantities, market prices of minerals and the unit of production of Tong Ling Guan Hua. Should there be significant changes in these assumptions or prevailing market rate, the fair value of contingent consideration arising from business combination will change from period to period.

5. 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:

	2010 RMB'000	2009 RMB'000
Sale of zinc, lead, iron and copper ore concentrates and compound gold	**286,293**	154,116
Toll revenue	**64,523**	55,597
	350,816	209,713

6. 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:

— exploration, mining and processing of zinc, lead, iron and gold ("Mining Operations")

— management and operation of toll highway and bridge ("Toll Road Operations")

6. 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, 2010

	Mining Operations RMB'000	Toll road Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	**286,293**	**64,523**	**350,816**
Segment profit	**61,484**	**14,721**	**76,205**
Other income			**7,959**
Other gains and losses			
— Net foreign exchange gains			**5,730**
— Gain from change in fair value of financial asset designated as at FVTPL			**1,155**
Gain on bargain purchase of acquisition of subsidiaries			**13,405**
Central administration costs			**(14,574)**
Finance costs			**(29,529)**
Other expenses			**(1,313)**
Profit before tax			**59,038**

For the year ended 31st December, 2009

	Mining Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
REVENUE			
External sales	154,116	55,597	209,713
Segment profit (loss)	(16,770)	16,899	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)

6. 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 3. Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of other income, other gains and losses as described above, 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, accordingly, segment assets and liabilities are not presented.

Other segment information

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

For the year ended 31st December, 2010

	Mining Operations RMB'000	**Toll Road Operations RMB'000**	**Segment Total RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Depreciation and amortisation	**62,454**	**21,053**	**83,507**	**33**	**83,540**

For the year ended 31st December, 2009

	Mining Operations RMB'000	Toll Road Operations RMB'000	Segment Total RMB'000	Unallocated RMB'000	Total RMB'000
Depreciation and amortisation	45,038	17,358	62,396	33	62,429

Revenue from major products and services

The analysis of the Group's revenues from its major products and services are set out in Note 5.

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 99% (2009: 98%) of the Group's non-current assets excluding other financial assets are located in the PRC.

6. SEGMENT INFORMATION — CONTINUED

Information about major customers

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

	2010 **RMB'000**	2009 RMB'000
Customer A (note i)	**84,121**	(note ii)
Customer B (note i)	**53,683**	42,321
Customer C (note i)	**(note ii)**	47,907

notes:

(i) The above customers are related to mining operations.

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

7. OTHER GAINS AND LOSSES

	2010 **RMB'000**	2009 RMB'000
Net foreign exchange gains	**5,730**	1,995
Gain (loss) from change in fair value of financial asset designated as at FVTPL (Note 20)	**1,155**	(4,472)
Loss on disposal of property, plant and equipment	**(18)**	(1,316)
Gain on disposal of subsidiaries (Note 38)	**—**	1,358
	6,867	(2,435)

8. DIRECTORS AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the nine (2009: nine) directors were as follows:

2010

	Executive directors		**Non-executive directors**							
	Mr. Dong Li Yong RMB'000	**Mr. Liu Xiaoguang RMB'000**	**Mr. Chen Yunhua RMB'000**	**Mr. Qi Guangya RMB'000**	**Mr. Cai Chuan Bing RMB'000 (note ii)**	**Ms. Leung Mei Han RMB'000**	**Mr. Cui Shuming RMB'000**	**Mr. Han Runsheng RMB'000**	**Dr. Liu Yongping RMB'000 (note i)**	**Total RMB'000**
Fees	**–**	**–**	**–**	**–**	**130**	**217**	**217**	**130**	**76**	**770**
Other emoluments										
Salaries and other benefits	**1,136**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,136**
Contributions to retirement benefits schemes	**145**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**145**
Share-based payments	**–**	**–**	**1,187**	**–**	**–**	**–**	**–**	**–**	**–**	**1,187**
Total emoluments	**1,281**	**–**	**1,187**	**–**	**130**	**217**	**217**	**130**	**76**	**3,238**

2009

	Executive directors			Non-executive directors						
	Mr. Hu You Lin RMB'000 (note iii)	Mr. Dong Li Yong RMB'000	Mr. Liu Xiaoguang RMB'000	Mr. Chen Yunhua RMB'000 (note iv)	Mr. Qi Guangya RMB'000	Mr. Cai Chuan Bing RMB'000	Ms. Leung Mei Han RMB'000	Mr. Cui Shuming RMB'000	Mr. Han Runsheng 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

notes:

(i) This director was appointed on 15th June, 2010.

(ii) This director resigned on 26th May, 2010.

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

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

8. DIRECTORS AND EMPLOYEES' REMUNERATION — CONTINUED

Of the five individuals with the highest emoluments in the Group, two (2009: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2009: three) individuals, none of which exceeded HK$1,000,000 individually, was as follows:

	2010 RMB'000	2009 RMB'000
Salaries and other benefits	**944**	1,014
Contributions to retirement benefits schemes	**43**	58
Share-based payments	**—**	888
	987	1,960

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.

9. FINANCE COSTS

	2010 RMB'000	2009 RMB'000
Interest on bank borrowings wholly repayable within five years	**11,215**	9,890
Effective interest on promissory notes	**7,629**	7,339
Imputed interest on:		
— non-current interest-free amount due to a related company	**2,268**	5,260
— consideration payable for acquisition of subsidiaries (Note 29)	**5,600**	6,121
— other payables (Note 25)	**1,292**	1,813
— provisions (Note 30)	**229**	175
Bank loan arrangement fees	**1,296**	1,457
	29,529	32,055

10. OTHER EXPENSES

Other expenses represent acquisition-related costs of RMB1,313,000 in relation to the acquisition of subsidiaries as set out in Note 37.

11. INCOME TAX EXPENSE

	2010 **RMB'000**	2009 RMB'000
PRC Enterprise Income Tax		
— current year	**16,202**	5,559
— underprovision in prior years	**27**	203
	16,229	5,762
Deferred tax (Note 31)		
— current year	**(793)**	1,133
	15,436	6,895

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 the 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"), Chi Feng Yi Da Mining Co., Ltd. ("Yi Da"), Tong Ling Guan Hua and Liangshan is 25% from 1st January, 2008 onwards.

Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, the Company's other PRC mining subsidiaries, Baoshan Feilong, Yaoan Feilong Mining Co., Ltd. ("Yaoan") and Tengchong Ruitu Mining and Technology Company ("Tengchong"), enjoy a preferential tax rate of 15%. In addition, these PRC subsidiaries are entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax deduction 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 tax rate of 7.5% during the year ended 31st December, 2010. In accordance with the local practice in Yunnan province, the preferential tax rate will remain valid until 2011. As such, Baoshan Feilong will be subject to a preferential tax rate of 15% in 2011, Yaoan and Tengchong which previously enjoyed the two year exemption and three years reduction at 50%, will continue until 2011 and subject to preferential tax rate of 7.5% in 2011.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 22% for the year ended 31st December, 2010 as it fulfilled the requirement of 5-year transition policy due to the qualification as an enterprise investing in public infrastructure projects in the PRC. Langfang Tongda will be subject to 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012.

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

11. INCOME TAX EXPENSE — CONTINUED

	2010 RMB'000	2009 RMB'000
Profit (loss) before tax	**59,038**	(40,285)
Tax at the domestic income tax rate of 15% (note)	**8,856**	(6,043)
Tax effect of expenses not deductible for tax purpose	**4,405**	7,243
Effect of tax reduction/exemption granted to PRC subsidiaries	**(6,214)**	(1,291)
Tax effect of income not taxable for tax purpose	**(4,797)**	(1,858)
Underprovision in prior years	**27**	203
Tax effect of tax losses not recognised	**2,251**	3,420
Utilisation of tax losses previously recognised	**(137)**	—
Deferred tax provided on dividends withholding tax on PRC subsidiaries	**6,889**	726
Effect of different tax rates of subsidiaries	**4,156**	4,495
Income tax expense	**15,436**	6,895

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

12. PROFIT (LOSS) FOR THE YEAR

	2010 RMB'000	2009 RMB'000
Profit (loss) for the year has been arrived at after charging:		
Cost of inventories sold	**181,375**	128,567
Employee benefit expense, including directors' remuneration (Note 8) and share-based payment expense (Note 34)	**59,467**	56,813
Amortisation of mining rights (included in cost of sales)	**36,090**	22,111
Depreciation of property, plant and equipment	**27,024**	23,589
Amortisation of other intangible assets (included in direct operating costs)	**20,297**	16,589
Auditors' remuneration	**2,183**	2,000
Release of prepaid lease payments	**129**	140
and after crediting:		
Net income arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries (Note 29)	**4,007**	10,626
Interest income from bank deposits	**1,972**	114
Imputed interest income on deferred income (Note 32)	**1,293**	1,813

13. 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:

	2010 **RMB'000**	2009 RMB'000
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company and profit (loss) for the purposes of basic and diluted earnings (loss) per share	**35,529**	(52,881)

	2010	2009 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**622,537,830**	380,769,670
Effect of dilutive potential ordinary shares		
— share options	**5,878,913**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**628,416,743**	380,769,670

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

The calculation of the diluted loss per share for the year ended 31st December, 2009 did not assume the exercise of the Company's outstanding share option as the exercise of the Company's share options would result a decrease in loss per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1st January, 2009	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 (Note 38)	(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
Additions	—	635	9,376	4,104	687	1,106	7,244	23,152
Acquired on acquisition of subsidiaries (Note 37)	—	—	—	7,576	37	—	5,245	12,858
Disposals	—	—	—	—	(114)	(368)	—	(482)
Transfer	2,173	819	31,472	36	—	—	(34,500)	—
At 31st December, 2010	47,675	28,045	88,713	101,988	11,580	11,032	38,604	327,637
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2009	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
Charge for the year	2,284	1,355	9,892	9,214	2,214	2,065	—	27,024
Eliminated on disposals	—	—	—	—	(87)	(331)	—	(418)
At 31st December, 2010	15,652	5,028	35,043	41,587	9,793	6,463	11,401	124,967
CARRYING VALUE								
At 31st December, 2010	32,023	23,017	53,670	60,401	1,787	4,569	27,203	202,670
At 31st December, 2009	32,134	22,918	22,714	57,899	3,304	5,565	49,214	193,748

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

14. PROPERTY, PLANT AND EQUIPMENT — CONTINUED

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 follows:

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

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, 2010, the carrying value of such buildings amounted to RMB26,237,000 (2009: RMB27,470,000). 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.

15. PREPAID LEASE PAYMENTS

	2010	2009
	RMB'000	RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**2,712**	2,841
Analysed for reporting purposes as:		
Current asset	**208**	208
Non-current asset	**2,504**	2,633
	2,712	2,841

As at 31st December, 2010, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB979,000 (2009: RMB1,000,000). 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.

16. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2009	1,431,106
Addition	4,404
Disposed upon disposal of subsidiaries (Note 38)	(400)
At 31st December, 2009	1,435,110
Acquired on acquisition of subsidiaries (Note 37)	403,149
At 31st December, 2010	1,838,259
AMORTISATION AND IMPAIRMENT	
At 1st January, 2009	273,010
Charge for the year	22,111
Eliminated upon disposal of subsidiaries (Note 38)	(255)
At 31st December, 2009	294,866
Charge for the year	36,090
At 31st December, 2010	330,956
CARRYING VALUE	
At 31st December, 2010	1,507,303
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 one to eight years. Other than a mining right in Inner Mongolia county in the PRC (the "Daxin Mining Right") with a carrying value at 31st December, 2010 of RMB3,253,000 which officially expired in June 2010, the Group's mining rights are expiring in the period from December 2011 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.

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 8 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.

17. GOODWILL

	RMB'000
COST	
At 1st January, 2009, 31st December, 2009 and 2010	10,533
IMPAIRMENT	
At 1st January, 2009, 31st December, 2009 and 2010	(10,051)
CARRYING VALUE	
At 31st December, 2009 and 2010	482

As at 31st December, 2010, 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 three-year period and a discount rate of 18% (2009: 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.

18. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At 1st January, 2009, 31st December, 2009 and 2010	247,798
AMORTISATION	
At 1st January, 2009	(146,974)
Provided for the year	(16,589)
At 31st December, 2009	(163,563)
Provided for the year	(20,297)
At 31st December, 2010	(183,860)
CARRYING VALUE	
At 31st December, 2010	63,938
At 31st December, 2009	84,235

18. OTHER INTANGIBLE ASSETS — CONTINUED

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.

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. Up to the date of approval of these financial statements, the applications with the relevant governmental authorities for toll collection are still in progress.

19. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.36% (2009: 0.36%) per annum. 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.

20. OTHER FINANCIAL ASSET

	2010 RMB'000	2009 RMB'000
Financial asset designated as at FVTPL	**23,604**	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 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 RMB23,604,000 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 23% 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 25% (2009: 26%) per annum. The change in fair value of RMB1,155,000 (2009: RMB4,472,000) has been credited (2009: charged) to profit or loss during the year ended 31st December, 2010.

21. INVENTORIES

	2010 RMB'000	2009 RMB'000
Raw materials and consumables	**19,624**	10,722
Finished goods	**13,333**	7,462
	32,957	18,184

22. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables	**59,078**	6,156
Bill receivables	**3,000**	—
	62,078	6,156
Other receivables	**6,642**	11,882
	68,720	18,038

The Group allows its trade customers an average credit period of 60–90 days. The following is an aged analysis of trade receivables and bills receivables presented based on the invoice date at the end of the reporting period:

	Trade receivables		Bills receivables	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
0–60 days	**59,078**	6,156	**—**	—
60–90 days	**—**	—	**3,000**	—

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, 2010, the entire trade receivable balance was neither past due nor impaired and had no default record based on historical information.

23. AMOUNTS DUE FROM/TO A RELATED COMPANY

	Due from	
	2010 **RMB'000**	2009 RMB'000
Langfang Municipal Communications Bureau ("Langfang Bureau") and its affiliate (note i)	**23,010**	23,411
Yue Da Enterprise and its affiliate	**422**	2,448
Mr. Yang Long and his affiliates	**—**	1,005
Pingchuan Iron Mining Company (note ii)	**8,960**	—
	32,392	26,864
Trade nature	**12,539**	7,416
Non-trade nature	**19,853**	19,448
	32,392	26,864

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:

	2010 **RMB'000**	2009 RMB'000
0–60 days	**12,539**	7,416

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	
	2010 **RMB'000**	2009 RMB'000
Non-trade nature		
Current		
Yue Da Enterprise (note iii)	**25,996**	—
	25,996	—
Non-current		
Yue Da Enterprise (note iv)	**—**	60,155
	25,996	60,155

23. AMOUNTS DUE FROM/TO A RELATED COMPANY — CONTINUED

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:

	2010 **RMB'000**	2009 RMB'000
Hong Kong Dollars ("HKD")	**25,996**	60,155

notes:

(i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda.

(ii) Pingchuan Iron Mining Company is a non-controlling shareholder of the Company's subsidiary, Liangshan.

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

(iv) The amount is unsecured, interest-free and repayable on 1st July, 2011. During the year, the Group early repaid a portion of the loan with a nominal value of RMB41,220,000. A difference of RMB5,466,000 between the carrying value and the nominal value of this repaid portion of loan on the date of repayment has been recognised as a deemed distribution to Jiangsu Yue Da.

24. 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% (2009: 0.01% to 0.36%) 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:

	2010 **RMB'000**	2009 RMB'000
HKD	**128,291**	4,910

25. TRADE AND OTHER PAYABLES

	2010 RMB'000	2009 RMB'000
Current		
Trade payables	**5,597**	3,880
Other payables (note)	**44,288**	21,662
	49,885	25,542
Non-current		
Other payables (note)	**22,106**	21,970
	71,991	47,512

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

	2010 RMB'000	2009 RMB'000
0–60 days	**5,597**	3,880

The average credit period on purchases of goods is 60 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, 2010, included in the other payables is a mining fee payable of RMB30,176,000 (2009: RMB28,884,000) in which RMB22,106,000 (2009: RMB21,970,000) is non-current portion and RMB8,070,000 (2009: RMB6,914,000) 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 at initial recognition was determined using cash flows discounted at an effective interest rate of 9.3% per annum, the difference of RMB35,382,000 was considered as government grant and was recognised as deferred income (see Note 32).

26. 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.

27. PROMISSORY NOTES

	2010 RMB'000	2009 RMB'000
Promissory notes		
Feilong Holdings (note i)	**16,999**	71,553
Bright Harvest Holdings Limited ("Bright Harvest") (note ii)	**78,626**	—
	95,625	71,553
Analysed as:		
Current	**40,957**	2,733
Non-current	**54,668**	68,820
	95,625	71,553

notes:

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

	2010 RMB'000	2009 RMB'000
Amount repayable:		
Within one year	**–**	2,733
More than one year, but not more than two years	**16,999**	48,720
More than two years, but not more than five years	**–**	20,100
	16,999	71,553

During the year ended 31st December, 2010, the Group early repaid a portion of the promissory notes with a nominal value of RMB59,699,000 and Feilong Holdings agreed to extend the repayment date of the remaining portion with a nominal value of RMB17,196,000 to 1st July, 2012. A difference of RMB4,217,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment and the difference of RMB644,000 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 of promissory notes at the date of extension has been recognised as a deemed distribution to a shareholder and a deemed capital contribution from a shareholder, respectively.

27. PROMISSORY NOTES — CONTINUED

notes: — continued

(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 disclosed in Note 37.

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 RMB36,820,000, respectively, determined using cash flows discounted at an effective rate of 8.7% per annum.

An analysis of the promissory note is as follows:

	2010 **RMB'000**
Amount repayable:	
Within one year	**40,957**
More than one year, but not more than two years	**37,669**
	78,626

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

28. BANK BORROWINGS

	2010 **RMB'000**	2009 RMB'000
Bank loans		
Secured	**151,002**	176,080
Unsecured	**186,852**	160,000
	337,854	336,080
The floating-rate bank loans are repayable*:		
Within one year	**143,610**	61,460
More than one year, but not exceeding two years	**87,592**	184,929
More than two years, but not exceeding five years	**—**	89,691
	231,202	336,080
Carrying amount of bank loans that are repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**106,652**	—
	337,854	336,080
Less: Amount due within one year shown under current liabilities	**(250,262)**	(61,460)
	87,592	274,620

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

28. BANK BORROWINGS — CONTINUED

Bank borrowings comprise:

	Maturity date	Effective interest rate	Repayment terms	Carrying amount 2010 RMB'000	Carrying amount 2009 RMB'000
HKD bank loan at Hong Kong Interbank Offer Rate ("HIBOR") plus 1%	26th June, 2012	1.17%	In eight semi annual installments commencing on 26th December, 2008 to 26th June, 2012	**151,002**	176,080
HKD bank loan at HIBOR plus 1%	3rd December, 2011	1.18%	In full on 3rd December, 2011	**66,852**	–
RMB bank loan at 105% of The People's Bank of China Base Lending Rate ("PBCBLR")	29th December, 2011	6.14%	By two installments on 29th December, 2010 and 29th December, 2011	**40,000**	80,000
RMB bank loan at 100% of PBCBLR	31st March, 2011	5.81%	In full on 31st March, 2011	**–**	40,000
RMB bank loan at 100% of PBCBLR	2nd September, 2011	5.81%	In full on 2nd September, 2011	**–**	20,000
RMB bank loan at 100% of PBCBLR	22nd December, 2011	5.31%	In full on 22nd December, 2011	**–**	20,000
RMB bank loan at 105% of PBCBLR	10th February, 2011	5.62%	In full on 10th February, 2011	**9,800**	–
RMB bank loan at 105% of PBCBLR	13th February, 2011	5.62%	In full on 13th February, 2011	**15,000**	–
RMB bank loan at 105% of PBCBLR	20th February, 2011	5.62%	In full on 20th February, 2011	**10,000**	–
RMB bank loan at 100% of PBCBLR	13th April, 2011	6.0%	In full on 13th April, 2011	**10,000**	–
RMB bank loan at 100% of PBCBLR	4th May, 2011	6.0%	In full on 4th May, 2011	**10,000**	–
RMB bank loan at 110% of PBCBLR	29th December, 2011	6.39%	In full on 29th December, 2011	**20,000**	–
RMB bank loan at 110% of PBCBLR	28th October, 2011	6.39%	In full on 28th October, 2011	**5,000**	–
RMB bank loan at 110% of PBCBLR	30th June, 2011	6.39%	In full on 30th June, 2011	**200**	–
				337,854	336,080

28. BANK BORROWINGS — CONTINUED

As at 31st December 2010, the HKD bank loans with carrying amount of RMB151,002,000 (2009: RMB176,080,000) are secured by the Company's equity interests in certain subsidiaries and the RMB bank loans with carrying amount of RMB80,000,000 (2009: RMB160,000,000) 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 entities is set out below:

	2010 **RMB'000**	2009 RMB'000
HKD	**217,854**	176,080

29. 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 1st July, 2011. During the year ended 31st December, 2010, the Group early repaid a portion of consideration with a nominal value of RMB13,318,000 and the vendor agreed to extend the repayment date of the remaining portion of consideration with a nominal value of RMB64,910,000 to 1st July, 2012. A difference of RMB1,006,000 between the carrying value and the nominal value of the repaid portion of consideration at the date of repayment and the difference of RMB5,013,000 between the carrying value and fair value (determined using cash flows discounted at an effective interest rate of 8.7% per annum) of the extended portion of consideration at the date of extension has been recognised in other income in the consolidated statement of comprehensive income.

30. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2009	1,862
Imputed interest	175
At 1st January, 2010	2,037
Acquired on an acquisition of a subsidiary	230
Imputed interest	229
At 31st December, 2010	2,496

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.

31. 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, 2009	263,545	(9,284)	6,693	4,992	265,946
Eliminated upon disposal of subsidiaries (Note 38)	—	801	—	—	801
(Credit) charge to profit or loss	(612)	1,019	—	726	1,133
At 1st January, 2010	262,933	(7,464)	6,693	5,718	267,880
Acquisition of subsidiaries (Note 37)	97,228	—	—	—	97,228
(Credit) charge to profit or loss	(4,077)	(2,678)	(927)	6,889	(793)
At 31st December, 2010	356,084	(10,142)	5,766	12,607	364,315

At the end of the reporting period, the Group had unused tax losses of approximately RMB53,877,000 (2009: RMB39,800,000) 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 RMB168,363,000 (2009: RMB85,745,000).

32. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fees payables (Note 25). 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.

33. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2009, 31st December, 2009 and 2010	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2009, 1st January, 2010	325,569,333	32,557	33,122
Open offer (note)	325,869,333	32,587	28,660
Exercise of share options	4,116,262	412	361
Issue in consideration of subsidiaries (Note 37)	30,000,000	3,000	2,630
At 31st December, 2010	685,554,928	68,556	64,773

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.

34. 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.

34. SHARE-BASED PAYMENTS — CONTINUED

As at 31st December, 2010, the number of shares in respect of which options were outstanding under the Scheme was 17,405,675 (2009: 16,000,000), representing 3% (2009: 5%) of the shares of the Company in issue at that date.

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$ (note)	Exercisable period	Outstanding at 1st January, 2010	Exercised before adjustment during the year	Adjustment during the year (note)	Exercised after adjustment during the year	Granted during the year	Forfeiture during the year	Outstanding at 31st December, 2010
Directors of the Company	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	1,300,000	–	220,415	(818,685)	–	–	701,730
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	3,900,000	(300,000)	610,380	(2,105,190)	–	–	2,105,190
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	–	–	–	–	1,500,000	–	1,500,000
				5,200,000	(300,000)	830,795	(2,923,875)	1,500,000	–	4,306,920
Employees	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	4,590,000	–	778,235	(422,214)	–	–	4,946,021
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	6,210,000	–	1,052,907	(470,173)	–	–	6,792,734
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	–	–	–	–	980,000	(280,000)	700,000
	19th April, 2010	1.716	20th April, 2011 to 19th April, 2020	–	–	–	–	360,000	(210,000)	150,000
	19th April, 2010	1.716	20th April, 2012 to 19th April, 2020	–	–	–	–	360,000	(210,000)	150,000
	16th December, 2010	1.35	17th December, 2010 to 16th December, 2020	–	–	–	–	144,000	–	144,000
	16th December, 2010	1.35	17th December, 2011 to 16th December, 2020	–	–	–	–	108,000	–	108,000
	16th December, 2010	1.35	17th December, 2012 to 16th December, 2020	–	–	–	–	108,000	–	108,000
				10,800,000	–	1,831,142	(892,387)	2,060,000	(700,000)	13,098,755
Total				16,000,000	(300,000)	2,661,937	(3,816,262)	3,560,000	(700,000)	17,405,675
Exercisable at the end of the year				16,000,000						16,889,675
Weighted average exercise price (HK$)				1.06	1.06	0.91	0.91	1.68	1.72	1.03

note: The exercise price and the number of share options outstanding at 31st December, 2010 have been adjusted to reflect the effect of the open offer on 4th March, 2010.

34. 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, 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

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.

On 19th April, 2010, the following share options were granted:

(i) 2,480,000 share options exercisable commencing from 20th April, 2010 to 19th April, 2020, which vested immediately. The fair value of each option at the date of grant was approximately HK$0.90;

(ii) 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 was approximately HK$0.91;

(iii) 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 was approximately HK$0.98.

34. SHARE-BASED PAYMENTS — CONTINUED

On 16th December, 2010, the following share options were granted:

(i) 144,000 share options exercisable commencing from 17th December, 2010 to 16th December, 2020, which vested immediately. The fair value of each option at the date of grant was approximately HK$0.75;

(ii) 108,000 share options exercisable commencing from 17th December, 2011 to 16th December, 2020, with vesting period from 17th December, 2010 to 16th December, 2011. The fair value of each option at the date of grant was approximately HK$0.75.

(iii) 108,000 share options exercisable commencing from 17th December, 2012 to 16th December, 2020, with vesting period from 17th December, 2010 to 16th December, 2012. The fair value of each option at the date of grant was approximately HK$0.78.

The fair value of the share options granted was calculated using the Black-Scholes 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 option:

i) Share options granted on 19th April, 2010

	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.

34. SHARE-BASED PAYMENTS — CONTINUED

ii) Share options granted on 16th December, 2010

	Share options exercisable commencing on 17th December, 2010	Share options exercisable commencing on 17th December, 2011	Share options exercisable commencing on 17th December, 2012
Grant date share price	HK$1.35	HK$1.35	HK$1.35
Exercise price	HK$1.35	HK$1.35	HK$1.35
Expected life	2.37 years	2.43 years	3.25 years
Expected volatility	97.87%	96.30%	85.99%
Dividend yield	0%	0%	0%
Risk-free interest rate	0.82%	0.83%	1.12%

The closing price of the Company's shares immediately before the date of grant was HK$1.35.

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

The Group recognised total share option expenses of RMB2,355,000 (2009: RMB2,558,000) for the year ended 31st December, 2010 in relation to the share options granted by the Company.

35. 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 a related company, 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.

36. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2010 RMB'000	2009 RMB'000
Financial assets		
Financial asset designated as at FVTPL (note)	**23,604**	22,449
Loans and receivables (including cash and cash equivalents)	**358,049**	74,640
Financial liabilities		
Amortised cost	**567,737**	573,860

note: For the financial asset designated as at FVTPL, the cumulative change in fair value is RMB381,000 and the gain from change in fair value recognised during the year ended 31st December, 2010 of RMB1,155,000 (2009: loss from change in fair value of RMB4,472,000) are mainly attributable to changes in estimated distributable profits of Baoshan Feilong and effective interest rate (Note 20).

(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 company, bank balances and cash, trade and other payables, amounts due to a related company/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	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
HKD	**395,803**	377,261	**128,291**	4,910

36. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Market risk — continued

(a) Currency risk — continued

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 which 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 a related company, 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 an increase in post-tax profit/decrease in post-tax loss for the year where RMB strengthens against the relevant foreign currencies by 5%, and vice versa.

	HKD Impact	
	2010 RMB'000	2009 RMB'000
Profit/loss for the year	**13,311**	18,466

The Group's sensitivity to foreign currency has decreased during the current year mainly due to an increase in assets that are denominated in HKD.

(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 long term deposits, 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.

36. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Market risk — continued

(b) Interest rate risk — continued

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 long term deposits and 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 for the 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 profit for the year ended 31st December, 2010 would decrease/increase by RMB1,465,000 (2009: loss increase/decrease by RMB1,475,000). 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 contingent consideration arising from business combination and other financial asset designated as at FVTPL is in relation to the changes in forecast distributable profits of Tong Ling Guan Hua and Baoshan Feilong respectively. Details of the sensitivity analysis are set out in Note 36(iii). The management considers the exposure of other price risk for contingent consideration arising from business combination is not significant.

Credit risk

As at 31st December, 2010, 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 mainly due from three (2009: two) external customers within the Mining Operations while amounts due from related companies in trade nature and non-trade nature were mainly attributed to two related companies (2009: one related company) and one related company (2009: one) respectively.

36. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

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.

The following table details the Group's remaining contractual maturity for its non-derivative 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. 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.

36. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Liquidity risk — continued

Liquidity risk tables

	Weighted average effective interest rate %	On demand or 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
2010								
Non-derivative financial liabilities								
Trade and other payables (current)	**—**	**29,828**	**—**	**—**	**—**	**—**	**29,828**	**29,828**
Other payables (non-current)	**9.3**	**—**	**—**	**—**	**9,974**	**44,243**	**54,217**	**22,106**
Amounts due to a related company	**—**	**25,996**	**—**	**—**	**—**	**—**	**25,996**	**25,996**
Amounts due to directors	**—**	**344**	**—**	**—**	**—**	**—**	**344**	**344**
Promissory notes	**8.7**	**—**	**—**	**40,957**	**59,414**	**—**	**100,371**	**95,625**
Bank borrowings (variable rate)	**2.9**	**108,744**	**18,042**	**123,476**	**90,133**	**—**	**340,395**	**337,854**
Consideration payable for acquisition of subsidiaries	**8.7**	**—**	**—**	**—**	**64,910**	**—**	**64,910**	**55,984**
		164,912	**18,042**	**164,433**	**224,431**	**44,243**	**616,061**	**567,737**

	Weighted average effective interest rate %	On demand or 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)	9.3	—	—	—	12,630	42,909	55,539	21,970
Amounts due to related companies	9.3	—	—	—	68,405	—	68,405	60,155
Amounts due to directors	—	352	—	—	—	—	352	352
Promissory notes	9.1	—	—	2,733	81,618	—	84,351	71,553
Bank borrowings (variable rate)	3.5	184	2,577	69,743	281,869	—	354,373	336,080
Consideration payable for acquisition of subsidiaries	8.7	—	—	—	78,228	—	78,228	69,121
		15,165	2,577	72,476	522,750	42,909	655,877	573,860

36. FINANCIAL INSTRUMENTS — CONTINUED

(ii) Financial risk management objectives and policies — continued

Liquidity risk — continued

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2010 the aggregate undiscounted principal amounts of these bank loans amounted to RMB106,652,000 (2009: Nil). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the reporting date in accordance with the scheduled repayment dates set out in the facility letter. At that time, the aggregate principal and interest cash outflows will amount to RMB108,744,000.

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.

(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 (see Note 20) and contingent consideration receivable (see Note 37) which are measured at fair value. Fair values are estimated using a discounted cash flow model and a probabilistic model respectively, which include some assumptions that are not supportable by observable market prices or rates.

The consolidated financial statements also include other financial asset which is measured at fair value (see Note 20). 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 25% (2009: 26%) per annum are used. The gain from change in fair value of other financial asset that was recognised in profit or loss during the year is RMB1,155,000 (2009: loss RMB4,472,000). 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 RMB963,000 (2009: increase/decrease by RMB1,122,000). 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 (2009: decrease/increase by approximately RMB1 million).

In determining the fair value of contingent consideration receivable at the end of the reporting period, estimated distributable profit of Tong Ling Guan Hua, weighted average selling price of the gold, quantity of gold produced by Tong Ling Guan Hua and a risk adjusted discount rate of 14% per annum are used. In the opinion of the directors, the estimated fair value of the contingent consideration receivable is not significant as at 31st December, 2010.

36. FINANCIAL INSTRUMENTS — CONTINUED

(iii) Fair value — continued

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).

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

	2010 Level 3 RMB'000
Financial asset at FVTPL	
Other financial asset	**23,604**

Reconciliation of Level 3 fair value measurements of financial asset

	Other financial asset RMB'000
At 1st January, 2009	26,921
Total losses — in profit or loss	(4,472)
At 1st January, 2010	22,449
Total gains — in profit or loss	1,155
At 31st December, 2010	23,604

Gain (loss) from change in fair value of other financial asset is included in "Other gains and losses".

37. ACQUISITION OF SUBSIDIARIES

On 30th June, 2010, the Group completed the acquisition of the entire equity interest in 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 and 70% equity interest in Tong Ling Guan Hua, which are engaged in investment holding, and mining and processing of gold, respectively. Absolute Apex was acquired so as to continue the expansion of the Group's mining operations.

Consideration transferred

	RMB'000
Cash consideration paid	10,518
Consideration shares issued (note i)	31,029
Promissory notes issued (Note 27)	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 during the year ended 31st December, 2010.

(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.

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.

(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.

37. ACQUISITION OF SUBSIDIARIES — CONTINUED

Consideration transferred — continued

notes: — continued

(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: — continued

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

(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 and the end of the reporting period.

(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 year, within the “other expenses” line item in the consolidated statement of comprehensive income.

Fair value of assets acquired and liabilities 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

37. ACQUISITION OF SUBSIDIARIES — CONTINUED

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

The gross contractual amounts and the fair value of other receivables on the date of acquisition amounted to HK$ 1,411,000. The entire amount of the contractual cash flows is expected to be collected at acquisition date.

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 the acquisition date. 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. Cash flows beyond the five-year period are extrapolated without application of any growth rate. 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)

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.

37. ACQUISITION OF SUBSIDIARIES — CONTINUED

Net cash outflow arising on acquisition

	RMB'000
Cash consideration paid	(95,713)
Cash and cash equivalents acquired	37
	(95,676)

Included in the profit for the year is RMB5,996,000 attributable to the additional business generated by Absolute Apex and its subsidiaries. Revenue for the year includes RMB41,275,000 generated.

Had the acquisition been completed on 1st January 2010, total group revenue for the year would have been RMB363,387,000, and profit for the year would have been RMB43,773,000. 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 Absolute Apex 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 business combination rather than the carrying amount recognised in the pre-acquisition financial statements.

38. 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.

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 was settled in cash by the acquirer during the year ended 31st December, 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.

39. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2009: 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% (2009: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,931,000 (2009: RMB1,304,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

40. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises during the year amounted to RMB2,559,000 (2009: RMB3,093,000).

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:

	2010 **RMB'000**	2009 RMB'000
Within one year	**3,029**	2,247
In the second to fifth year inclusive	**4,538**	1,763
	7,567	4,010

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB6,532,000 (2009: RMB2,835,000) 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.

41. CAPITAL COMMITMENTS

	2010 **RMB'000**	2009 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**460**	366

42. 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, 2010, an amount of RMB151,002,000 (2009: RMB176,080,000) of such facilities was utilised.

43. RELATED PARTY DISCLOSURES

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

Relationship	Nature of transactions	2010 RMB'000	2009 RMB'000
Mr. Yang Long and his affiliates (note a)	Sale of finished goods by the Group (note b)	**13,488**	47,907
	Interest on promissory notes (Note 27)	**3,470**	7,339
	Deemed distribution arising from early repayment of promissory note (Note 27)	**3,573**	—
	Deemed capital contribution arising from extension of repayment date of promissory notes	**—**	1,616
Langfang Bureau and its affiliate	Repairs and maintenance charges paid by the Group (note c)	**12,225**	8,778
Yue Da HK	Rentals paid on office premises and staff quarters by the Group (note d)	**2,358**	2,381
Yue Da Enterprise	Deemed distribution arising from early repayment of non-current interest-free loan granted to the Group (Note 23)	**5,466**	—
	Deemed capital contribution arising from extention of non-current interest-free loan granted to the Group	**—**	8,062
	Imputed interest arising from non-current interest-free loans granted to the Group (Note 9)	**2,268**	5,260
	Rentals paid on staff quarter by the Group (note d)	**210**	211
Pingchuan Iron Mining Company	Purchase of finished goods by the Group (note e)	**7,726**	—

43. RELATED PARTY DISCLOSURES — CONTINUED

(i) — continued

notes:

(a) Mr. Yang Long and his affiliates ceased to be related party of the Group from 1st October, 2010 onwards. Details is set out in note (iii)(c) of consolidated statement of changes in equity.

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

(c) The repairs and maintenance charges in respect of the relevant toll highway are charged at 18% of the total amount of gross toll collected.

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

(e) The Company has entered into an ore purchase agreement with the non-controlling shareholder, pursuant to which the Company has agreed to purchase iron ores and related products from the non-controlling shareholder.

(ii) Details of the Group's outstanding balances with related parties are set out in Notes 23 and 26.

(iii) Details of operating lease commitment with a related party are set out in Note 40.

(iv) In addition, pursuant to the agreements between the Group, the non-controlling 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, 2010, 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 RMB140,000,000. The facilities are general working capital facilities for two and three years. As at 31st December, 2010, RMB80,000,000 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.

43. RELATED PARTY DISCLOSURES — CONTINUED

(vii) 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:

	2010 **RMB'000**	2009 RMB'000
Short-term benefits (including share-based payments)	**3,568**	5,563
Post-employment benefits	**210**	181
	3,778	5,744

44. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2010, not has any dividend been proposed since the end of the reporting period (2009: Nil).

45. PARTICULARS OF THE COMPANY'S PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31st December, 2009 and 31st December, 2010 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2010 %	2009 %	
Baoshan Feilong (note i & ii)	PRC	Registered capital — RMB34,500,000	**91.5**	91.5	Mining and processing zinc, copper 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
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
Tong Ling Guan Hua (note i)	PRC	Registered capital — RMB18,000,000	**70**	—	Mining, processing and sales of gold
Xiang Da (note i)	PRC	Registered capital — RMB32,600,000	**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 20, all the profits will be shared by the Group from 2008 to 2015.

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

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.

Financial Summary

	Year ended 31st December,				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Revenue	184,628	293,960	268,263	209,713	**350,816**
Cost of sales	(32,049)	(102,508)	(153,165)	(128,567)	**(181,375)**
Direct operating costs	(53,997)	(33,392)	(32,132)	(31,790)	**(40,378)**
Other income, gains and losses	2,349	28,966	21,057	10,118	**14,826**
Administrative expenses	(18,574)	(56,554)	(69,635)	(67,704)	**(67,414)**
Finance costs	(7,866)	(20,628)	(25,431)	(32,055)	**(29,529)**
Impairment losses on assets	(44,679)	(3,235)	(261,296)	—	**—**
Other expenses	—	—	(18,443)	—	**(1,313)**
Gain on redemption of convertible bonds	—	30,104	—	—	**—**
Gain on bargain purchase of acquisition of subsidiaries	56,532	17,942	—	—	**13,405**
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	40,134	53,047	(270,782)	(40,285)	**59,038**
Income tax (expense) credit	(4,852)	(54,404)	31,032	(6,895)	**(15,436)**
Profit (loss) for the year	35,282	(1,357)	(239,750)	(47,180)	**43,602**
Attributable to:					
Owners of the Company	10,332	7,571	(240,200)	(52,881)	**35,529**
Non-controlling interests	24,950	(8,928)	450	5,701	**8,073**
	35,282	(1,357)	(239,750)	(47,180)	**43,602**

	As at 31st December,				
	2006 RMB'000	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010** **RMB'000**
Total assets	1,288,631	1,595,585	1,657,669	1,544,414	**2,195,974**
Total liabilities	(446,598)	(802,757)	(966,614)	(891,306)	**(996,223)**
	842,033	792,828	691,055	653,108	**1,199,751**
Equity attributable to owners of the Company	482,031	679,814	564,050	526,924	**928,006**
Non-controlling interests	360,002	113,014	127,005	126,184	**271,745**
	842,033	792,828	691,055	653,108	**1,199,751**