



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

Stock code : 629



2011
Interim Report

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30th June, 2011

	NOTES	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Revenue	3	231,475	158,930
Cost of sales		(142,235)	(73,455)
Direct operating costs		(19,434)	(20,399)
Gross profit		69,806	65,076
Other income		3,131	1,625
Other gains and losses	4	43,259	2,421
Gain on bargain purchase of acquisition of subsidiaries		—	13,405
Administrative expenses		(38,198)	(27,212)
Finance costs	5	(13,608)	(13,134)
Other expenses	6	—	(1,313)
Profit before tax		64,390	40,868
Income tax expense	7	(7,508)	(8,328)
Profit and total comprehensive income for the period	8	56,882	32,540
Profit and total comprehensive income for the period attributable to:			
— Owners of the Company		58,851	28,614
— Non-controlling interests		(1,969)	3,926
		56,882	32,540
Earnings per share			
— Basic	10	8.58 cents	5.12 cents
— Diluted	10	8.54 cents	5.05 cents

Condensed Consolidated Statement of Financial Position

At 30th June, 2011

	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	11	184,684	202,670
Prepaid lease payments		2,439	2,504
Mining rights	12	1,240,012	1,507,303
Goodwill		482	482
Other intangible assets	13	51,134	63,938
Long term deposits		4,728	7,455
Other financial asset	14	—	23,604
		1,483,479	1,807,956
Current Assets			
Prepaid lease payments		208	208
Inventories		23,847	32,957
Trade and other receivables	15	90,228	68,720
Amounts due from related companies	16	30,621	32,392
Bank balances and cash		118,421	253,741
		263,325	388,018
Assets classified as held for sales	17	299,605	—
		562,930	388,018
Current Liabilities			
Trade and other payables	18	64,055	49,885
Amount due to a related company	16	5,219	25,996
Amounts due to directors		257	344
Taxation payable		9,272	9,342
Promissory notes — due within one year	19	—	40,957
Bank borrowings — due within one year		280,488	250,262
		359,291	376,786
Liabilities directly associate with assets classified as held for sales	17	65,878	—
		425,169	376,786
Net Current Assets		137,761	11,232
Total Assets Less Current Liabilities		1,621,240	1,819,188

Condensed Consolidated Statement of Financial Position

At 30th June, 2011

	NOTES	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Capital and Reserves			
Share capital	20	64,874	64,773
Reserves		927,393	863,233
Equity attributable to owners of the Company			
		992,267	928,006
Non-controlling interests		209,765	271,745
Total equity			
		1,202,032	1,199,751
Non-current Liabilities			
Other payables	18	21,934	22,106
Promissory notes — due after one year	19	35,785	54,668
Bank borrowings — due after one year		—	87,592
Consideration payable for acquisition of subsidiaries	21	24,278	55,984
Provisions		250	2,496
Deferred tax liabilities		305,882	364,315
Deferred income	22	31,079	32,276
Total non-current liabilities			
		419,208	619,437
Total liabilities			
		1,621,240	1,819,188

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Accumulated losses	Total			
	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		
At 1st January, 2010 (audited)	33,122	487,322	22,393	157,178	32,400	18,460	(59,372)	(164,579)	526,924	126,184	653,108	
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	28,614	28,614	3,926	32,540	
Deemed distribution to the ultimate parent from early repayment of interest-free loan	–	–	–	–	(5,466)	–	–	–	(5,466)	–	(5,466)	
Deemed distribution to a shareholder from early repayment of promissory notes	–	–	–	–	(3,572)	–	–	–	(3,572)	–	(3,572)	
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	93,000	93,000	
Shares issued	31,290	343,661	–	–	–	–	–	–	374,951	–	374,951	
Transaction cost attributable to issue of shares	–	(5,624)	–	–	–	–	–	–	(5,624)	–	(5,624)	
Recognition of equity-settled share-based payments	–	–	–	–	–	2,025	–	–	2,025	–	2,025	
Exercise of share option	105	1,376	–	–	–	(490)	–	–	991	–	991	
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(6,513)	(6,513)	
Transfer	–	–	4,837	–	–	–	–	(4,837)	–	–	–	
At 30th June, 2010 (unaudited)	64,517	826,735	27,230	157,178	23,362	19,995	(59,372)	(140,802)	918,843	216,597	1,135,440	
At 1st January, 2011 (audited)	64,773	830,077	29,574	157,178	23,361	18,646	(59,372)	(136,231)	928,006	271,745	1,199,751	
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	58,851	58,851	(1,969)	56,882	
Exercise of share option	101	1,269	–	–	–	(451)	–	–	919	–	919	
Acquisition of additional interest in a non-wholly owned subsidiary (Note 14)	–	–	–	–	–	–	5,908	–	5,908	(52,593)	(46,685)	
Recognition of equity-settled share-based payments	–	–	–	–	–	227	–	–	227	–	227	
Deemed distribution to a shareholder from early repayment of promissory notes	–	–	–	–	(1,644)	–	–	–	(1,644)	–	(1,644)	
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(7,418)	(7,418)	
Transfer	–	–	808	–	–	–	–	(808)	–	–	–	
At 30th June, 2011 (unaudited)	64,874	831,346	30,382	157,178	21,717	18,422	(53,464)	(78,188)	992,267	209,765	1,202,032	



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2011

notes:

- (i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.
- (ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.
- (iii) The capital contribution represents deemed contribution from (distributable to) the ultimate parent and a shareholder arising from:
 - (a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"), the ultimate parent of the Company. In 2008, 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, and their early repayment. In prior periods, the difference between the nominal value and the fair value on inception date and the difference between the carrying value and the fair value on extension date of the non-current interest-free loan were recognised as deemed contribution by the ultimate parent, and the difference between the carrying value and nominal value on the date of early repayment of the non-current interest-free loan was recognised as deemed distribution to the ultimate parent. On 30th June 2011, the Group fully repaid the remaining portion of the loan with a nominal value of RMB26,333,000. Details are set out in Note 16;
 - (c) promissory notes issued and extension of their repayment dates by an affiliate of Mr. Yang Long. Mr. Yang Long had significant influence over the mining subsidiaries of the Company and therefore he and his affiliates were related parties. This relationship ceased from 1st October, 2010 onwards. Mr. Yang Long was and continues to be a shareholder of the Company. In prior periods, the difference of the nominal value and the fair value on inception date and the differences between the carrying value and the fair value on extension dates of the promissory notes were recognised as a deemed contribution by a shareholder, and the difference between the carrying value and nominal value on the date of early repayment of the promissory notes was recognised as deemed distribution to a shareholder. During the six months ended 30th June, 2011, the Group early repaid a portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of early repayment has been recognised as a deemed distribution to a shareholder. Details are set out in Note 19.
- (iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interest acquired in 2007 and the difference between the amount of non-controlling interests acquired and the fair value of consideration paid during the six months ended 30th June, 2011.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2011

	NOTES	Six months ended	
		30.6.2011 RMB'000 (unaudited)	30.6.2010 RMB'000 (unaudited)
Net cash from operating activities		61,170	47,443
Net cash used in investing activities			
Repayment of consideration payable for acquisition of subsidiaries	21	(35,737)	(13,318)
Acquisition of property, plant and equipment	11	(25,644)	(7,362)
Repayment of promissory notes issued for acquisition of subsidiaries	19	(16,674)	(33,927)
Other investing cash flows		(2,923)	(4,307)
		(80,978)	(58,914)
Net cash (used in) from financing activities			
Repayment of bank borrowings		(112,366)	(45,010)
Repayment to a related company	16	(26,333)	(38,634)
Acquisition of additional interest in a non-wholly owned subsidiary		(22,440)	—
Dividend paid to non-controlling shareholders		(7,418)	(6,513)
Expenses on open offer of new shares		—	(5,624)
Bank borrowings raised		55,000	40,000
Advance from a related company	16	5,219	—
Proceeds from issue of shares upon exercise of share options		919	991
Proceeds on open offer of new shares		—	343,922
Other financing cash flows		(7,299)	(6,793)
		(114,718)	282,339
Net (decrease) increase in cash and cash equivalents		(134,526)	270,868
Cash and cash equivalents at beginning of the period		253,741	34,481
Effect of foreign exchange rate changes		(794)	(347)
Cash and cash equivalents at end of the period, represented by bank balances and cash		118,421	305,002

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
HK(IFRIC) — Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

2. PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Hong Kong Accounting Standards, HKFRSs and amendments that have been issued but are not yet effective.

HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
HKFRS 9	Financial Instruments ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosures of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ³
HKAS 19 (Revised 2011)	Employee Benefits ²
HKAS 27 (Revised 2011)	Separate Financial Statements ²
HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²

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

² Effective for annual periods beginning on or after 1 January 2013.

³ Effective for annual periods beginning on or after 1 January 2012.

⁴ Effective for annual periods beginning on or after 1 July 2012.

The directors of the Company anticipate that the application of the new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

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

- exploration, mining and processing of zinc, lead, iron and gold and trading of iron ore and related products ("Mining & Mineral Trading Operations")
- management and operation of toll highway and bridge ("Toll Road Operations")

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by operating and reportable segments for the period under review:

Six months ended 30th June, 2011

	Mining & Mineral Trading Operations	Toll Road Operations	Consolidated
	RMB'000	RMB'000	RMB'000
SEGMENT REVENUE			
External sales	215,262	16,213	231,475
SEGMENT RESULTS			
Segment profit (loss)	56,619	(6,473)	50,146
Interest income			3,131
Fair value change in contingent consideration			44,186
Other gains and losses			
— Net foreign exchange gains			2,661
— Gain on change in fair value of financial asset designated as at fair value through profit or loss ("FVTPL")			641
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(3,750)
— Loss arising on early repayment of promissory notes			(446)
Central administration costs			(18,571)
Finance costs			(13,608)
Profit before tax			64,390

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

3. SEGMENT INFORMATION (continued)

Six months ended 30th June, 2010

	Mining & Mineral Trading Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	126,982	31,948	158,930
SEGMENT RESULTS			
Segment profit	43,102	8,249	51,351
Interest income			1,625
Other gains and losses			
— Gain on bargain purchase of acquisition of subsidiaries			13,405
— Net foreign exchange gains			1,342
— Gain on change in fair value of financial asset designated as at FVTPL			964
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(1,006)
Central administration costs			(12,366)
Finance costs			(13,134)
Other expenses			(1,313)
Profit before tax			40,868

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

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
Fair value change in contingent consideration (note)	44,186	—
Net foreign exchange gains	2,661	1,342
Gain on change in fair value of financial asset designated as at FVTPL	641	964
Others	—	1,148
Loss arising on early repayment of consideration payable for acquisition of subsidiaries	(3,750)	(1,006)
Loss arising on early repayment of promissory notes	(446)	—
Loss on disposal of property, plant and equipment	(33)	(27)
	43,259	2,421

note: During the year ended 31st December, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company (the "Acquisition"), from Bright Harvest Holdings Limited ("Bright Harvest"), an independent third party. Absolute Apex Limited owned the entire equity interest in Ample Source Investment Limited, which owned 70% equity interest in Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), which are engaged in investment holding, and mining and processing of gold, respectively. Bright Harvest has also agreed to compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua for certain periods. There was a shortfall of performance for contingent consideration relating to the period from 1st July, 2010 to 30th June, 2011. The shortfall was mainly due to an unanticipated temporary suspension of mining operation for regional safety inspection by local government authority from March 2011 to May 2011. As a result, a fair value change in contingent consideration of RMB44,186,000 was recognised in the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2011. It was settled by an offset against the promissory note issued in prior year as part of the consideration for the Acquisition (Note 19). It is expected the performance of the Tong Ling Guan Hua will be back on track and the fair value of contingent consideration for the remaining periods is insignificant as at the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

5. FINANCE COSTS

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
Interest on bank borrowings wholly repayable within five years	6,132	5,535
Effective interest on promissory notes	3,641	2,579
Imputed interest on:		
– interest-free amount due to a related company	1,133	938
– consideration payable for acquisition of subsidiaries	1,411	3,002
– other payables (Note 18)	1,197	999
– provisions	94	81
	13,608	13,134

6. OTHER EXPENSES

Other expenses represented acquisition-related costs of RMB1,313,000 in relation to the acquisition of subsidiaries in prior year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

7. INCOME TAX EXPENSE

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
PRC Enterprise Income Tax		
– current period	8,300	8,063
Deferred tax		
– current period (note)	(792)	265
	7,508	8,328

note: Included in the deferred tax, an amount of approximately RMB3,852,000 (2010: RMB2,234,000) was charged to profit or loss in the condensed consolidated statement of comprehensive income in respect of temporary difference associated with the undistributed earnings of subsidiaries.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Taxation arising in the PRC is recognised based on the estimated average annual tax rate of 15% for the six months ended 30th June, 2011 (2010: 15%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

8. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights included in cost of sales	17,347	11,287
Amortisation of other intangible assets included in direct operating costs	12,777	12,178
Depreciation of property, plant and equipment	12,021	10,756
Release of prepaid lease payments	65	65
Total depreciation and amortisation	42,210	34,286
Cost of inventories sold	142,235	73,455
Interest income	(1,934)	(626)
Imputed interest income on deferred income (Note 22)	(1,197)	(999)
Share-based payments expense	227	2,025

9. DIVIDEND

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

10. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
Earnings		
Profit for the purposes of basic and diluted earnings per share and profit for the period attributable to owners of the Company	58,851	28,614
Number of shares	Number	Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	685,822,112	559,397,027
Effect of dilutive potential ordinary shares – share options	3,694,939	7,142,043
Weighted average number of ordinary shares for the purpose of diluted earnings per share	689,517,051	566,539,070

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2011, the Group incurred RMB25,644,000 (2010: RMB7,362,000) on the acquisition of property, plant and equipment. The Group transferred property, plant and equipment with a carrying amount of RMB31,550,000 to assets classified as held for sales (Note 17).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

12. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2011	1,838,259
Reclassified as held for sale	(283,018)
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At 30th June, 2011	1,555,241
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AMORTISATION AND IMPAIRMENT	
At 1st January, 2011	330,956
Reclassified as held for sale	(33,074)
Charge for the period	17,347
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At 30th June, 2011	315,229
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CARRYING VALUE	
At 30th June, 2011	1,240,012
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At 31st December, 2010	1,507,303

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. 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.

The Group transferred mining rights with a carrying amount of RMB249,944,000 to assets classified as held for sales (Note 17).

The mining rights are amortised over a period between 13 to 25 years, using the units of production method based on the proven and probable mineral reserves under the assumption that the Group can renew the mining rights indefinitely till all proven reserves have been mined.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

13. OTHER INTANGIBLE ASSETS

Other intangible assets represent the operating rights of toll road highway and bridge granted by the Hebei Provincial Government to the Group for 16 years, which is from 1997 to 2013. During the concessionary period, the Group has the rights of operation and management of Wen An section of National Highway 106 and the toll-collection rights thereof. The Group is required to manage and operate the toll highway and bridge in accordance with the regulations promulgated by the Ministry of Transport of the PRC and relevant government authorities.

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 government authorities for the arrangement of operating rights after the operation period. As at 30 June 2011, the negotiation was still in progress.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

14. OTHER FINANCIAL ASSET

	30.6.2011 RMB'000	31.12.2010 RMB'000
Financial asset designated as at FVTPL	—	23,604

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 Nonferrous Metal Co., Ltd. ("Baoshan Feilong") for the period from 2008 to 2015 to the Group; and (b) RMB5,000,000 cash paid by Mr. Yang Long and entities under his control to the Group. Accordingly, the Group recognised a financial asset designated as at FVTPL of RMB26,921,000 in connection with the right to share of profit of Baoshan Feilong for the period from 2008 to 2015 (the "Right") on initial recognition. Any excess or shortfall of the estimated distributable profit of Baoshan Feilong to the Group given up by Mr. Yang Long and his affiliates will not be repaid to or recovered from them. At initial recognition, the financial asset was measured based on the estimated distributable profit of Baoshan Feilong given up by Mr. Yang Long and his affiliates at an effective interest rate of 23% per annum. At the end of each reporting period, the fair value of the financial asset varied depending on the estimated distributable profit of Baoshan Feilong and the effective interest rate at that time.

On 8th April, 2011, Yue Da Mining Limited, a wholly-owned subsidiary of the Company, agreed to acquire and completed the acquisition of the entire issued share capital of Moral Well Enterprises Limited ("Moral Well") together with a shareholder's loans for (a) an aggregate of cash consideration of RMB22,440,000; and (b) the release of the Right with a fair value of RMB24,245,000 as a consideration. Moral Well is a limited liability company incorporated in the British Virgin Islands and held the non-controlling 8.5% equity interests in Baoshan Feilong. Following the acquisition, Baoshan Feilong has become indirect wholly-owned subsidiary of the Group. The increase in fair value of the financial asset of RMB641,000 has been credited to profit or loss immediately before the date of acquisition. The difference of RMB5,908,000 between the carrying amount of non-controlling interests acquired and the fair value of consideration paid has been credited to other reserve at the date of acquisition.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

14. OTHER FINANCIAL ASSET (continued)

Consideration transferred

	RMB'000
Cash consideration paid	22,440
Other financial asset derecognised	24,245
Total consideration	46,685

Transfer of equity

	RMB'000
Total consideration paid	46,685
Less: non-controlling interest acquired	(52,593)
Credit to other reserve	(5,908)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

15. TRADE AND OTHER RECEIVABLES

	30.6.2011 RMB'000	31.12.2010 RMB'000
Trade receivables	19,504	59,078
Bill receivables	68,896	3,000
	88,400	62,078
Other receivables	1,828	6,642
	90,228	68,720

Other receivables of RMB12,663,000 have been classified as part of a disposal group held for sale. The Group allows an average credit period of 60–90 days to its trade customers. The following is an analysis of trade receivables and bills receivables by age, presented based on the invoice date.

	30.6.2011 RMB'000	31.12.2010 RMB'000
0–60 days	53,840	59,078
60–90 days	18,560	3,000
Over 90 days	16,000	—
	88,400	62,078

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control (note i)	20,544	23,010
Pingchuan Iron Mining Company (note ii)	9,655	8,960
Yue Da Enterprise and its fellow subsidiaries	422	422
	30,621	32,392
Trade nature	14,476	12,539
Non-trade nature	16,145	19,853
	30,621	32,392

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

	30.6.2011 RMB'000	31.12.2010 RMB'000
0-60 days	14,476	12,539

	Due to	
	30.6.2011 RMB'000	31.12.2010 RMB'000
Non-trade nature		
Yue Da Enterprise (note iii)	5,219	25,996

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

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

notes:

- (i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd..
- (ii) Pingchuan Iron Mining Company is a non-controlling shareholder of the Company's mining subsidiary, Liangshan Prefecture Yuechuan Mining Co., Limited.
- (iii) The amount as at 31st December, 2010 was unsecured and interest-free loan. On 30th June, 2011, the Group fully repaid the remaining portion of the loan with a nominal value of RMB26,333,000. The amounts at 30th June, 2011 are unsecured, interest-free and repayable on demand.

17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During the six months ended 30th June, 2011, the directors of the Company planned to dispose Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited (the "Disposal Group"). The Company is the owner of 90.1% interest in the Disposal Group. The management of the Company committed to this disposal plan and actively sought a buyer. The Disposal Group is expected to be disposed of within twelve months.

On 16th August, 2011, the Group entered into a disposal agreement with Feng Hua Group Limited, an independent third party, to dispose the 41.1% of the entire issued capital of the Disposal Group at a cash consideration of RMB59,097,323. In addition, the Group's shareholder loan to the Disposal Group amounted to RMB31,902,677 will be assigned to Feng Hua Group Limited. Total consideration for the disposal of 41.1% of issued capital and the assignment of shareholder's loan amounted to RMB91,000,000. All the assets and liabilities of the Disposal Group have been reclassified as assets and liabilities held for sale and presented separately in the condensed consolidated statement of financial position as at 30th June, 2011. Details are set out in the announcement dated 16th August, 2011.

The sales proceeds are expected to exceed the net carrying amount of the assets and liabilities and, accordingly, no impairment loss has been recognised.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

17. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (continued)

The major classes of assets and liabilities of the Disposal Group at the end of the reporting period are as follows:

	30.6.2011 RMB'000
Property, plant and equipment	31,550
Mining rights	249,944
Long term deposits	3,674
Inventories	1,624
Trade and other receivables	12,663
Bank balances and cash	150
Total assets classified as held for sales	299,605
Trade and other payables	5,899
Provisions	2,339
Deferred tax liabilities	57,640
Total liabilities directly associated with assets classified as held for sales	65,878
Intragroup balances due from the Disposal Group to other entities in the Group (note)	92,950
Carrying amount of the Disposal Group	140,777

note: RMB31,902,677 will be assigned to Feng Hua Group Limited upon disposal of the 41.1% interest. The remaining balances continue to be repayable by the Disposal Group after the disposal.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

18. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	RMB'000	RMB'000
Current		
Trade payables	6,322	5,597
Other payables (note)	57,733	44,288
	64,055	49,885
Non-current		
Other payables (note)	21,934	22,106
	85,989	71,991

Other payables of RMB5,899,000 have been classified as part of a disposal group held for sale. The average credit period on purchases of goods is 60 days. The following is an analysis of trade payables by age, presented based on the invoice date.

	30.6.2011	31.12.2010
	RMB'000	RMB'000
0–60 days	6,322	5,597

note: As at 30th June, 2011, included in the other payables was a mining fee payable of RMB31,373,000 (31st December, 2010: RMB30,176,000) of which RMB21,934,000 (31st December, 2010: RMB22,106,000) was non-current portion and RMB9,439,000 (31st December, 2010: RMB8,070,000) was 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 of the relevant mine. The fair value of non-current mining fee payable on 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 (Note 22).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

19. PROMISSORY NOTES

	30.6.2011	31.12.2010
	RMB'000	RMB'000
Promissory notes		
Feilong Holdings (note i)	—	16,999
Bright Harvest (note ii)	35,785	78,626
	35,785	95,625
Analysed as:		
Current	—	40,957
Non-current	35,785	54,668
	35,785	95,625

notes:

- (i) The promissory notes were issued to Feilong Holdings, a company beneficially owned by Mr. Yang Long, and were unsecured, carry at a fixed interest rate of 3.5% (2010: 3.5%) per annum.

During the six months ended 30th June, 2011, the Group early repaid the remaining portion of the promissory notes with a nominal value of RMB16,674,000. A difference of RMB1,644,000 between the carrying value and the nominal value of this repaid portion of promissory notes at the date of repayment has been recognised as a deemed distribution to a shareholder.

- (ii) On 30th June, 2010, the Company issued a promissory note comprising two tranches each with a principal sum of RMB43,825,000.

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.

During the six months ended 30th June, 2011, the Group early settled the promissory notes amounting to RMB44,186,000 with a contingent consideration receivable from Bright Harvest at the same amount in relation to the shortfall of performance by Tong Ling Guan Hua for the period from 1st July, 2010 to 30th June, 2011 (Note 4). A difference of RMB446,000 between the carrying value and the nominal value of this portion of promissory notes at the date of settlement has been recognised as other losses in the condensed consolidated statement of comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

20. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.10 each:			
Issued and fully paid			
At 1st January, 2010	325,569,333	32,557	33,122
Open offer (note i)	325,869,333	32,587	28,660
Exercise of share options	1,192,387	119	105
Issue in consideration for the acquisition of subsidiaries (note ii)	30,000,000	3,000	2,630
At 30th June, 2010	682,631,053	68,263	64,517
At 1st January, 2011	685,554,928	68,556	64,773
Exercise of share options	1,213,979	121	101
At 30th June, 2011	686,768,907	68,677	64,874

notes:

- (i) 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.
- (ii) On 30th June, 2010, the Group completed the Acquisition (Note 4). As part of the consideration for the Acquisition, 30,000,000 ordinary shares of the Company with the par value of HK\$0.1 each were issued.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

21. CONSIDERATION PAYABLE FOR ACQUISITION OF SUBSIDIARIES

The amount is unsecured, interest-free and payable on 1st July, 2012. During the six months ended 30th June, 2011, the Group early repaid a portion of consideration with a nominal value of RMB35,737,000. A difference of RMB3,750,000 between the carrying value and the nominal value of the repaid portion of consideration at the date of repayment has been recognised as other losses in the condensed consolidated statement of comprehensive income.

22. DEFERRED INCOME

The amount represents the imputed interest portion of non-current mining fee payable (Note 18). The amount will be released to other income over the extraction period of respective mines upon the recognition of imputed interest expense of non-current mining fee payables.

23. RELATED PARTY DISCLOSURES

(i) The transactions and balances with government related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government (“government-related entities”). The Company is ultimately controlled by the PRC government. The Company’s parent is Yue Da Group (H.K.) Co., Limited (“Yue Da HK”), a company incorporated in Hong Kong with limited liabilities, and the Company’s ultimate parent is Jiangsu Yue Da, which is controlled by the Yancheng Municipal People’s Government.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

23. RELATED PARTY DISCLOSURES (continued)

(i) (continued)

(a) Transactions and balances with Jiangsu Yue Da and its subsidiaries:

Name of related parties	Nature of transactions	Six months ended	
		30.6.2011 RMB'000	30.6.2010 RMB'000
Immediate holding company			
Yue Da HK	Rentals paid on office premises and staff quarters by the Group	1,141	1,187
Fellow subsidiaries			
Yue Da Enterprise	Deemed distribution arising from early repayment of interest-free loan	—	5,466

As at 30th June, 2011, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facility granted to the Group to the extent of RMB100,000,000 (31st December, 2010: RMB180,000,000). The facilities are general working capital facilities for two years. As at 30th June, 2011, a total amount of RMB60,000,000 was utilised by the Group.

Details of the outstanding balances with Yue Da Enterprise and its fellow subsidiaries are set out in Note 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

23. RELATED PARTY DISCLOSURES (continued)

(i) (continued)

(b) Transactions and balances with non-controlling interests with significant influence over a PRC subsidiary:

Name of related parties	Nature of transactions	Six months ended	
		30.6.2011 RMB'000	30.6.2010 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group	3,087	5,044

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.

Details of the outstanding balances with Langfang Bureau and entities under its control are set out in Note 16.

(c) Transactions and balances with other government related entities:

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government related entities. The directors of the Company consider those government related 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 government related entities, the Group does not differentiate whether the counter-party is a government related entity or not.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

23. RELATED PARTY DISCLOSURES (continued)

- (ii) The transactions and balances with non-government related entities which are related to the Group are listed below:

Name of related parties	Nature of transactions	Six months ended	
		30.6.2011 RMB'000	30.6.2010 RMB'000
Non-controlling interests with significant influence over PRC subsidiaries			
Pingchuan Iron Mining Company	Purchase of materials by the Group	40,142	—
Mr. Yang Long and entities under his control*	Sale of finished goods by the Group	—	14,307
	Deemed distribution arising from early repayment of promissory notes	—	3,572
	Interest on promissory notes	—	2,579

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

Details of the outstanding balances with Pingchuan Iron Mining Company are set out in Note 16.

- (iii) Compensation of key management personnel:

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

	Six months ended	
	30.6.2011 RMB'000	30.6.2010 RMB'000
Short-term benefits	1,618	1,101
Post-employment benefits	113	105
	1,731	1,206

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2011

24. CAPITAL COMMITMENTS

	30.6.2011 RMB'000	31.12.2010 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	3,793	460

Management Discussion and Analysis

FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30th June, 2011 (the “Period”) amounted to RMB231,475,000 and RMB69,806,000, representing an increase of approximately 45.65% and 7.27% respectively, over the same period in 2010. The profit and total comprehensive income attributable to the owners of the Company for the Period was RMB58,851,000 (corresponding period of last year: RMB28,614,000) and basic earnings per share was RMB8.58 cents (corresponding period of last year: RMB5.12 cents).

INTERIM DIVIDEND

The board (“Board”) of directors (“Directors”) of the Company did not recommend the payment of any interim dividend for the Period.

BUSINESS REVIEW

The Group is principally engaged in exploration, mining, cleansing and processing of metal minerals (the “Mining Operations”) and trading of iron ore and related products (“the Mineral Trading Operations”, altogether “Mining and Mineral Trading Operations”) and the operation of a toll road (the “Toll Road Operations”).

MINING AND MINERAL TRADING OPERATIONS

During the Period, the Mining and Mineral Trading Operations realized an operating revenue of RMB215,262,000 (corresponding period of last year: RMB126,982,000) with a segment profit of RMB56,619,000 (corresponding period of last year: RMB43,102,000). The Mining Operations (excluding Mineral Trading Operations) recorded an operating revenue of RMB171,569,000 (corresponding period of last year: RMB126,982,000) with a gross profit of RMB71,397,000 (corresponding period of last year: RMB53,527,000) and gross profit margin of approximately 41.61% (corresponding period of last year: 42.15%). The Group started the Mineral Trading Operations, from December 2010. During the Period, the Mineral Trading Operations recorded an operating revenue of RMB43,693,000 (corresponding period of last year: nil) and a gross profit of RMB1,630,000 (corresponding period of last year: nil).

The ores extracted during the Period amounted to 534,694 tons, representing an increase of 85.71% over 287,922 tons in the corresponding period of last year, with a unit mining cost (including gold ores) of approximately RMB81 per ton (corresponding period of last year: RMB89 per ton) and a unit processing cost (including gold ores) of approximately RMB46 per ton (corresponding period of last year: RMB60 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 2,425 metal tons



Management Discussion and Analysis

(corresponding period of last year: 3,225 metal tons), lead ore concentrates of 972 metal tons (corresponding period of last year: 1,657 metal tons), silver of 1,197 kilograms (corresponding period of last year: 1,602 kilograms), iron ore concentrates of 125,933 tons (corresponding period of last year: 91,093 tons) and gold of 97.09 kilograms (corresponding period of last year: nil). During the Period, the metal ore concentrates were sold at an average price of RMB9,518 per metal ton for zinc ore concentrates (corresponding period of last year: RMB9,079 per metal ton), RMB16,878 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB12,443 per metal ton), RMB678 per ton for iron ore concentrates (corresponding period of last year: RMB480 per ton) and RMB299 per gram of gold (corresponding period of last year: nil).

Amidst the negative impact of the global financial turmoil that surfaced in the third quarter of 2008, both sale prices of and demands for zinc, lead, iron and gold ore concentrates have started to improve since the third quarter of 2009 after the slow recovery of the world's economy to the present. As a result of the improvement in prices and demands, both revenue and segment profit of Mining Operations have increased.

Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu") completed 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 commenced successfully, thus providing a strong assurance of a daily ores processing volume of 2,000 tons.

Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong") has further strengthened its effort in exploration activities and has made smooth progress as planned. The processing plant achieved remarkable results in its technology improvements, and plays a catalytic part in improving grade and the extent of recovery of ore concentrates. On 8th April, 2011, the Group acquired additional 8.5% equity interests and related shareholder's loan in Baoshan Feilong. After the acquisition, Baoshan Feilong has become an indirectly wholly-owned subsidiary of the Group. More details of the acquisition were included in the section headed "Acquisition of additional 8.5% interests in Baoshan Feilong".

Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") achieved a better result in mining activities of mine No. 8 in order to supply ores required by the processing plant for its normal production. Upon the completion of production optimization and technology improvements of the processing plant, the grade and the extent of recovery of ore concentrates has been improved.

Management Discussion and Analysis

On 16th August, 2011, the Group entered into a disposal agreement for the disposal of 41.1% equity interests in and related shareholder's loan to companies where the mining project located in Wengniute Banner of Inner Mongolia ("Wengniute Banner"). More details of the disposal were included in the section headed "Event after the end of the interim reporting period".

On 30th June, 2010, the Group completed the acquisition of 70% equity 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"). The Group has during the period after the acquisition up to 30th June, 2011 focus on improving technology and increasing production capacity. During the Period, the Group has received a compensation of approximately RMB44,186,000 from profit guarantee due to an unanticipated temporary suspension of mining operation for regional safety inspection by local government authority from March 2011 to May 2011. Since August 2011, Tong Ling Guan Hua has been under full production capacity.

To strengthen the upstream development of the Group, on 28th April 2011, the Company entered into a geological exploration strategic services agreement with Jiangsu East China Geological Surveying Company Limited ("Jiangsu East China") for the supply of geological exploration technical support and advisory services by Jiangsu East China in respect of the Group's mining resources exploration projects within and outside China for a period of ten years commencing on 28 April 2011.

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

Toll Road Operations

The Toll Road Operations recorded a net operating revenue of RMB16,213,000 (corresponding period of last year: RMB31,948,000) and a segment loss of RMB6,473,000 (corresponding period of last year: profit of RMB8,249,000).



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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 13,237 during the Period (corresponding period of last year: 25,024) while the operating revenue achieved RMB16,213,000, which represented a decrease of approximately 49.25% over RMB31,948,000 of the corresponding period last year. Significant decrease in revenue was attributable to the implementation of campaign against overloaded vehicles by government as well as environmental situation surrounding the road.

PROSPECTS

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

In second half of 2011, on one hand, the Group’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 aims to capture opportunities for acquisition of projects with rich reserves, high quality, immense value-added potentials, quick cashflow returns, in order for the Group to further expand its scale of production, diversify into new profit streams and deliver higher returns to our shareholders.

Acquisition of additional 8.5% equity interests in Baoshan Feilong

On 8th April, 2011, Yue Da Mining Limited (“YDM”), a wholly owned subsidiary of the Company, completed the acquisition of 100% interests in Moral Well Enterprises Limited (“Moral Well”) and related shareholder’s loan at a total consideration of RMB22.5million. Moral Well is an investment holding company and directly owns 8.5% equity interests in Baoshan Feilong. Following the acquisition of Moral Well, Baoshan Feilong has become a wholly owned subsidiary of the Company and therefore the Group has had full control of the operations of and become entitled to all the profits from Baoshan Feilong.

Management Discussion and Analysis

Co-operation with Pingchuan Iron Mining Company (“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 Mining Company. Yue Da Pingchuan and Pingchuan Iron Mining Company have 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 shall be nominated by Pingchuan Iron and three directors shall be 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. By the end of 2010, Yuechuan JV completed, among others, the following major tasks in relation to the Pingchuan Iron Mine (Lanzhichang lot):

- engagement of 昆明有色冶金設計院 (Kunming Institute for Nonferrous Metal Metallurgy Design) to commence a preliminary design plan for the exploitation in Pingchuan Iron Mine (Lanzhichang lot);
- actively searching for new mining opportunities and appointment of experts to conduct on-site investigation and thorough research work within Yanyuan County; and
- widening and maintenance of an approximately 7-kilometer highway connecting the mining site with the neighbourhood area.

Yuechuan JV has started to implement the following major tasks during the Period:

- undergoing of relevant application procedures for the mining rights of the Pingchuan Iron Mine (Lanzhichang lot);
- construction of a 35-kilovolt transformer substation and power transmission cables; and
- planning and finalisation of exploitation and design proposal.



Management Discussion and Analysis

Apart from the above, Yuechuan JV will continue to actively co-operate with Pingchuan Iron Mining Company in the development and construction of the Pingchuan Iron Mine (Lanzhichang lot) through establishing a team comprising high standard personnel equipped with advanced technology, in order to shorten the time needed for constructing the mining site and thus to allow the earliest possible commencement of production.

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 before 31st March, 2013 and the preliminary amount of investment for the infrastructure period will not exceed HK\$250 million.

Event after the end of the interim reporting period

On 16th August, 2011, YDM entered into a disposal agreement to dispose 41.1% equity interests and related shareholder's loan of each of the holding companies of the mining project located in Wengniute Banner at a total consideration of RMB91,000,000. Upon completion of the disposal, our Group will not be involved in the management, financial and operating decisions and day to day operations of Wengniute Banner. Accordingly, the remaining 49% interests in Wengniute Banner will, after completion, be classified as available for sale securities of the Group.

Liquidity and Financial Resources

As at 30th June, 2011, the Group's current assets were RMB562,930,000 (31st December, 2010: RMB388,018,000), of which RMB118,421,000 (31st December, 2010: RMB253,741,000) were bank balances and cash on hand. As at 30th June, 2011, the net asset value of the Group amounted to RMB1,202,032,000, representing an increase of approximately 0.19% as compared to RMB1,199,751,000 at 31st December, 2010. The gearing ratio (total liabilities/total assets) of the Group was approximately 41.26% (31st December, 2010: 45.37%). As at 30th June, 2011, the share capital of the Company was RMB64,874,000 (31st December, 2010: RMB64,773,000). The Company's reserve and minority interests were RMB927,393,000 (31st December, 2010: RMB863,233,000) and RMB209,765,000 (31st December, 2010: RMB271,745,000) respectively. As at 30th June, 2011, the Group had total current liabilities of RMB425,169,000 (31st December, 2010: RMB376,786,000), mainly comprising bank borrowing, trade and other payables and liabilities directly associate with assets classified as held for sales. The total non-current liabilities of the Group amounted to RMB419,208,000 (31st December, 2010: RMB619,437,000), which were mainly other

Management Discussion and Analysis

payables, 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 Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal. The Group recorded a net exchange gain amounting to RMB2,661,000 during the Period due to the appreciation of Renminbi.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2011, except for the guarantees and charges in the amount of HK\$360,000,000 provided to Industrial and Commercial Bank of China (Asia) Limited by the Group, the Company did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2011, the Group had a total of approximately 1,447 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining. The management review the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute during the Period.



Other Information

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

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

THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except that the Chairman of the Board was not able to attend the annual general meeting (the "2010 AGM") of the Company held on 9th June, 2011 (deviated from code provision E.1.2). However, one of the independent non-executive Directors of the Company attended and acted as the Chairman of the 2010 AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 29th August, 2011, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period, and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

The Company has set up with written terms of reference a remuneration committee, whose members are currently Mr. Cui Shu Ming (Chairman of the remuneration committee, an independent non-executive Director), Mr. Han Runsheng (an independent non-executive Director) and Mr. Dong Li Yong (an executive Director). Regular meetings are held by the committee to review and discuss matters relating to the remuneration policy, remuneration levels and the remuneration of executive Directors.

Other Information

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

As at 30th June, 2011, the interests and short positions of each Director in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the company/ associated corporation	Capacity	Number of ordinary shares of the Company (“Shares”) (Note 1)	Approximate percentage in the entire issued share capital of the Company
Dong Li Yong	The Company	Beneficial owner	3,000,000	0.44%
	The Company	Beneficial owner	1,403,460 (Note 2)	0.20%
Liu Xiao Guang	The Company	Beneficial owner	600,000	0.09%
	The Company	Beneficial owner	701,730 (Note 2)	0.10%
Chen Yunhua	The Company	Beneficial owner	1,500,000 (Note 3)	0.22%
Qi Guang Ya	The Company	Beneficial owner	701,730 (Note 2)	0.10%



Other Information

notes:

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

Save as disclosed above and in this interim report, as at 30th June, 2011, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company's associated corporations.

DIRECTORS' INTEREST IN COMPETING BUSINESS

In June 2011, Mr Dong Liyong (an executive Director) and Ms Leung Mei Han (an independent non-executive Director) were appointed as a non-executive director and an independent non-executive director of Xiangyu Dredging Holdings Limited (stock code: 871) ("Xiangyu Holdings") respectively. The principal activities of Xiangyu Holdings and its subsidiaries are dredging services in the PRC, ranging from capital dredging, reclamation dredging, maintenance dredging and environmental protection dredging, which to the best knowledge of the Directors are not in actual or potential competition with the business of the Group.

During the Period and up to the date of this interim report, no Director and his/her associates are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2011, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name of the Shareholder	Name of the company/ associated corporation	Capacity	Number of Shares (Note 1)	Approximate percentage in the entire issued share capital of the Company
Yue Da Group (H.K.) Co., Limited	The Company	Beneficial owner	252,016,000	36.70%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	252,016,000 (Note 2)	36.70%

notes:

1. All interests in the Shares are long positions.
2. These Shares are registered in the name of Yue Da Group (H.K.) Co., Limited. Jiangsu Yue Da Group Company Limited holds the entire issued share capital of Yue Da Group (H.K.) Co., Limited.

Other Information

SHARE OPTION SCHEME

On 12th November, 2001, the then sole shareholder of the Company passed a written resolution to adopt the share option scheme of the Company. The following table discloses details of the Company's share options held by directors and employees during the Period:

	Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1st January, 2011	Exercised during the Period	Outstanding at 30th June, 2011
Directors of the Company	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	701,730	—	701,730
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	2,105,190	—	2,105,190
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	1,500,000	—	1,500,000
				4,306,920	—	4,306,920
Employees	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	4,946,021	(374,256)	4,571,765
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	6,792,734	(839,723)	5,953,011
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	700,000	—	700,000
	19th April, 2010	1.716	20th April, 2011 to 19th April, 2020	150,000	—	150,000
	19th April, 2010	1.716	20th April, 2012 to 19th April, 2020	150,000	—	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
				13,098,755	(1,213,979)	11,884,776
Total				17,405,675	(1,213,979)	16,191,696
Exercisable at the end of the Period				16,889,675	—	15,825,696
Weighted average exercise price (HK\$)				1.03	0.91	1.04

Other Information

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

Executive Directors

Dong Li Yong

Liu Xiao Guang

Non-executive Director

Chen Yunhua

Qi Guang Ya

Independent non-executive Directors

Leung Mei Han

Cui Shu Ming

Han Run Sheng

Liu Yongping

By order of the Board

Yue Da Mining Holdings Limited

Chen Yunhua

Chairman

Hong Kong, 29th August, 2011