



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

Stock code : 629

# INTERIM REPORT 2012



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30<sup>th</sup> June, 2012

	NOTES	Six months ended	
		30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Revenue	3	<b>209,813</b>	231,475
Cost of sales		<b>(115,268)</b>	(142,235)
Direct operating costs		<b>(16,787)</b>	(19,434)
Gross profit		<b>77,758</b>	69,806
Other income		<b>3,121</b>	3,131
Other gains and losses	4	<b>(522)</b>	43,259
Administrative expenses		<b>(31,652)</b>	(38,198)
Finance costs	5	<b>(7,155)</b>	(13,608)
Profit before tax		<b>41,550</b>	64,390
Income tax expense	6	<b>(20,863)</b>	(7,508)
Profit and total comprehensive income for the period	7	<b>20,687</b>	56,882
Profit and total comprehensive income for the period attributable to:			
– Owners of the Company		<b>13,802</b>	58,851
– Non-controlling interests		<b>6,885</b>	(1,969)
		<b>20,687</b>	56,882
Earnings per share			
– Basic	9	<b>RMB1.65 cents</b>	RMB8.28 cents
– Diluted	9	<b>RMB1.65 cents</b>	RMB8.24 cents

# Condensed Consolidated Statement of Financial Position

At 30<sup>th</sup> June, 2012

	NOTES	30.6.2012 RMB'000 (unaudited)	31.12.2011 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	10	165,864	168,886
Prepaid lease payments		3,783	3,853
Mining rights	11	1,193,709	1,218,948
Available-for-sale investments		70,457	70,457
Goodwill		482	482
Other intangible assets	12	31,826	42,530
Other receivables	13	114,453	—
Amounts due from related companies	15	16,439	—
Long term deposits		6,484	6,159
Deposit paid for land use right	14	7,500	—
		<b>1,610,997</b>	1,511,315
<b>Current Assets</b>			
Prepaid lease payments		238	238
Inventories		28,071	38,557
Trade and other receivables	13	95,492	185,113
Amounts due from related companies	15	13,798	30,058
Bank balances and cash		216,562	127,614
		<b>354,161</b>	381,580
<b>Current Liabilities</b>			
Trade and other payables	16	60,053	70,836
Amount due to a related company	15	49,095	845
Amounts due to directors		365	365
Taxation payable		17,895	10,070
Promissory notes — due within one year	17	—	7,722
Bank borrowings — due within one year	18	128,912	206,232
Obligation under finance leases		2,013	2,437
		<b>258,333</b>	298,507
<b>Net Current Assets</b>		<b>95,828</b>	83,073
<b>Total Assets Less Current Liabilities</b>		<b>1,706,825</b>	1,594,388

# Condensed Consolidated Statement of Financial Position

At 30<sup>th</sup> June, 2012

	NOTES	<b>30.6.2012</b> <b>RMB'000</b> <b>(unaudited)</b>	31.12.2011 RMB'000 (audited)
<b>Capital and Reserves</b>			
Share capital	19	<b>83,474</b>	64,874
Reserves		<b>1,063,027</b>	973,692
Equity attributable to owners of the Company			
		<b>1,146,501</b>	1,038,566
Non-controlling interests		<b>202,223</b>	195,338
<b>Total Equity</b>			
		<b>1,348,724</b>	1,233,904
<b>Non-current Liabilities</b>			
Other payables	16	<b>20,612</b>	20,756
Obligation under finance leases		<b>—</b>	766
Provisions		<b>272</b>	261
Deferred tax liabilities		<b>308,360</b>	308,280
Deferred income	20	<b>28,857</b>	30,421
		<b>358,101</b>	360,484
		<b>1,706,825</b>	1,594,388

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30<sup>th</sup> June, 2012

	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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
At 1 <sup>st</sup> 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	–	–	–	–	–	–	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 30 <sup>th</sup> 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	
At 1 <sup>st</sup> January, 2012 (audited)	<b>64,874</b>	<b>831,346</b>	<b>31,018</b>	<b>157,178</b>	<b>21,717</b>	<b>18,550</b>	<b>(53,464)</b>	<b>(32,653)</b>	<b>1,038,566</b>	<b>195,338</b>	<b>1,233,904</b>	
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	13,802	13,802	6,885	20,687	
Share issued	18,600	74,400	–	–	–	–	–	–	93,000	–	93,000	
Forfeiture of share options	–	–	–	–	–	(1,312)	–	1,312	–	–	–	
Transaction cost attributable to issue of shares	–	(1,064)	–	–	–	–	–	–	(1,064)	–	(1,064)	
Recognition of equity-settled share-based payments	–	–	–	–	–	2,197	–	–	2,197	–	2,197	
Transfer	–	–	5,189	–	–	–	–	(5,189)	–	–	–	
At 30 <sup>th</sup> June, 2012 (unaudited)	<b>83,474</b>	<b>904,682</b>	<b>36,207</b>	<b>157,178</b>	<b>21,717</b>	<b>19,435</b>	<b>(53,464)</b>	<b>(22,728)</b>	<b>1,146,501</b>	<b>202,223</b>	<b>1,348,724</b>	

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30<sup>th</sup> June, 2012

	NOTES	Six months ended	
		30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Net cash from operating activities		<b>43,361</b>	61,170
Net cash used in investing activities			
Repayment of consideration payable for acquisition of subsidiaries		—	(35,737)
Acquisition of property, plant and equipment	10	<b>(10,716)</b>	(25,644)
Receipt of deferred consideration arising from the disposal of subsidiaries in prior year		<b>13,144</b>	—
Deposit paid for acquisition of land use right		<b>(7,500)</b>	—
Other investing cash flows		<b>2,613</b>	(2,923)
		<b>(2,459)</b>	(64,304)
Net cash from (used in) financing activities			
Bank borrowings raised		<b>80,000</b>	55,000
Repayment of bank borrowings		<b>(157,320)</b>	(112,366)
Repayment to a related company		—	(26,333)
Acquisition of additional interest in a non-wholly owned subsidiary		—	(22,440)
Dividend paid to non-controlling shareholders		—	(7,418)
Advance from a related company	15	<b>48,250</b>	5,219
Repayment of promissory notes	17	<b>(8,155)</b>	(16,674)
Proceeds from issue of shares upon exercise of share options		—	919
Proceeds on open offer of new shares		<b>93,000</b>	—
Expenses on open offer of new shares		<b>(1,064)</b>	—
Other financing cash flows		<b>(6,712)</b>	(7,299)
		<b>47,999</b>	(131,392)

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30<sup>th</sup> June, 2012

	Six months ended	
	30.6.2012 RMB'000 (unaudited)	30.6.2011 RMB'000 (unaudited)
Net increase (decrease) in cash and cash equivalents	88,901	(134,526)
Cash and cash equivalents at beginning of the period	127,614	253,741
Effect of foreign exchange rate changes	47	(794)
Cash and cash equivalents at end of the period, represented by bank balances and cash	216,562	118,421

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 1. BASIS OF PREPARATION

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

## 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 30<sup>th</sup> June, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31<sup>st</sup> December, 2011.

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatory effective for the current interim period.

The application of the above amendments to 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 30<sup>th</sup> June, 2012

## 3. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8, based on information reported to the chief operating decision maker ("CODM"), represented by the executive directors, 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")

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

### Six months ended 30<sup>th</sup> June, 2012

	<b>Mining &amp; Mineral Trading Operations</b>	<b>Toll Road Operations</b>	<b>Consolidated</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
SEGMENT REVENUE			
External sales	<b>198,602</b>	<b>11,211</b>	<b>209,813</b>
SEGMENT RESULTS			
Segment profit (loss)	<b>64,197</b>	<b>(8,279)</b>	<b>55,918</b>
Other income			<b>3,121</b>
Other gains and losses			
— Net foreign exchange loss			<b>(492)</b>
— Loss arising on early repayment of promissory notes			<b>(50)</b>
Central administration costs			<b>(9,792)</b>
Finance costs			<b>(7,155)</b>
Profit before tax			<b>41,550</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 3. SEGMENT INFORMATION (continued)

### Six months ended 30<sup>th</sup> June, 2011

	Mining & Mineral Trading Operations RMB'000	Toll Road Operations RMB'000	Consolidated RMB'000
SEGMENT REVENUE			
External sales	215,262	16,213	231,475
SEGMENT RESULTS			
Segment profit (loss)	56,619	(6,473)	50,146
Other income			3,131
Other gains and losses			
– Fair value change in contingent consideration			44,186
– 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 30<sup>th</sup> June, 2012

## 3. SEGMENT INFORMATION (continued)

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 and finance costs. 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.

## 4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2012 RMB'000	30.6.2011 RMB'000
Fair value change in contingent consideration (Note)	—	44,186
Net foreign exchange (loss) gains	(492)	2,661
Gain on change in fair value of financial asset designated as at FVTPL	—	641
Loss arising on early repayment of consideration payable for acquisition of subsidiaries	—	(3,750)
Loss arising on early repayment of promissory notes	(50)	(446)
Loss on disposal of property, plant and equipment	20	(33)
	<b>(522)</b>	43,259

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 4. OTHER GAINS AND LOSSES (continued)

Note: During the year ended 31<sup>st</sup> 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. The amount represented the change in fair value of the contingent consideration receivable from Bright Harvest as the compensation in relation to the shortfall of performance by Tong Ling Guan Hua relating to the period from 1<sup>st</sup> July, 2010 to 30<sup>th</sup> 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 30<sup>th</sup> June, 2011. It was settled by an offset against the promissory note issued to Bright Harvest in prior year as part of the consideration for the Acquisition. In the absence of any further unanticipated temporary suspension, 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 estimated to be insignificant as at the end of the reporting period.

## 5. FINANCE COSTS

	Six months ended	
	30.6.2012 RMB'000	30.6.2011 RMB'000
Interest on bank borrowings wholly repayable within five years	5,114	6,132
Effective interest on promissory notes	336	3,641
Effective interest on finance leases	131	—
Imputed interest on:		
— interest-free amount due to a related company	—	1,133
— consideration payable for acquisition of subsidiaries	—	1,411
— other payables (Note 16)	1,563	1,197
— provisions	11	94
	<b>7,155</b>	13,608

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 6. INCOME TAX EXPENSE

	Six months ended	
	30.6.2012 RMB'000	30.6.2011 RMB'000
People's Republic of China ("PRC") Enterprise Income Tax		
– current period	<b>18,996</b>	8,300
Underprovisions in prior year	<b>1,787</b>	–
Deferred tax		
– current period (Note)	<b>80</b>	(792)
	<b>20,863</b>	7,508

Note: Included in the deferred tax, an amount of approximately RMB3,031,000 (2011: RMB3,852,000) 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 30<sup>th</sup> June, 2012 (2011: 15%).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 7. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

	Six months ended	
	30.6.2012 RMB'000	30.6.2011 RMB'000
Profit and total comprehensive income for the period has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights included in cost of sales	<b>25,239</b>	17,347
Amortisation of other intangible assets included in direct operating costs	<b>10,704</b>	12,777
Depreciation of property, plant and equipment	<b>13,722</b>	12,021
Release of prepaid lease payments	<b>70</b>	65
Total depreciation and amortisation	<b>49,735</b>	42,210
Cost of inventories sold	<b>90,029</b>	124,888
Interest income	<b>(1,085)</b>	(1,934)
Imputed interest income on deferred income (Note 20)	<b>(1,563)</b>	(1,197)
Share-based payments expense	<b>2,197</b>	227

## 8. DIVIDEND

Subsequent to the end of the current interim period, the directors have determined that an interim dividend of HK1 cent per share (for the six months ended 30<sup>th</sup> June, 2011: nil) will be paid to the owners of the Company whose names appear in the Register of Members on 22<sup>nd</sup> November, 2012.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 9. 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	
	30.6.2012 RMB'000	30.6.2011 RMB'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company and profit for the purposes of basis and diluted earnings per share	<b>13,802</b>	58,851
<b>Number of shares</b>	<b>Number</b>	Number (Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<b>838,902,403</b>	710,810,093
Effect of dilutive potential ordinary shares — share options	—	3,694,939
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>838,902,403</b>	714,505,032

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for both periods has been adjusted for the effect of bonus element in connection with the open offer in March 2012.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30<sup>th</sup> June, 2012, the Group spent RMB10,716,000 (31<sup>st</sup> December, 2011: RMB25,644,000) on the acquisition of property, plant and equipment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 11. MINING RIGHTS

	<b>RMB'000</b>
<b>COST</b>	
At 1 <sup>st</sup> January, 2012 and 30 <sup>th</sup> June, 2012	1,555,241
<b>AMORTISATION AND IMPAIRMENT</b>	
At 1 <sup>st</sup> January, 2012	336,293
Charge for the period	25,239
At 30 <sup>th</sup> June, 2012	361,532
<b>CARRYING VALUE</b>	
At 30 <sup>th</sup> June, 2012	1,193,709
At 31 <sup>st</sup> December, 2011	1,218,948

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of five to eight years. The Group's mining rights are expiring in the period from August 2012 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 Yaoan Mining Right which was expired in August 2012, 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 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 till all proven reserves have been mined.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 12. OTHER INTANGIBLE ASSETS

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

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 operating period granted to the Group in respect of its toll highway and bridge will end in 2013. The Group is currently negotiating with the relevant government authorities to extend the operating period for a further 10 years to end of 2023. The government has preliminary agreed to extend the operating period but the year of extension is yet to be agreed. Up to the date of this report, the negotiation is still in progress.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 13. TRADE AND OTHER RECEIVABLES

	<b>30.6.2012</b> <b>RMB'000</b>	31.12.2011 RMB'000
<b>Current</b>		
Trade receivables	<b>57,242</b>	9,372
Bills receivable	—	17,000
	<b>57,242</b>	26,372
Deferred consideration receivable (Note i)	—	66,550
Amount due from Disposal Group (as defined in Note i) (Note ii)	—	61,962
Amount due from a third party (Note iii)	<b>14,415</b>	15,906
Advance payments to suppliers	<b>5,588</b>	4,265
Deposits and prepayments	<b>18,247</b>	10,058
	<b>95,492</b>	185,113
<b>Non-current</b>		
Deferred consideration receivable (Note i)	<b>53,406</b>	—
Amount due from Disposal Group (Note ii)	<b>61,047</b>	—
	<b>114,453</b>	—
	<b>209,945</b>	185,113

Notes:

- (i) At 31<sup>st</sup> December, 2011, the amount was receivable from Feng Hua Group Limited ("Feng Hua") for the remaining balance of the deferred consideration for the disposal of 41.1% of the entire issued capital of certain subsidiaries, Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited, which held the entire equity interest in Weng Niu Te Qi Xiang Da Mining Co., Ltd, Chi Feng Yi Da Mining Co., Ltd and Weng Niu Te Qi San Xiang Mining Co., Ltd (collectively refer to as the "Disposal Group"). Under the original sales and purchase agreement, the amount was unsecured, interest-free and repayable on or before 30<sup>th</sup> June, 2012. The amount was classified as current as at 31<sup>st</sup> December, 2011.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 13. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(i) (continued)

During the six months ended 30<sup>th</sup> June, 2012, Feng Hua has made a repayment amounting of RMB13,144,000. On 29<sup>th</sup> June, 2012, the Company and Feng Hua entered into the supplemental sales and purchase agreement (“Supplemental Agreement”), pursuant to which the Company and Feng Hua agreed to extend the date of repayment of the remaining balance amounting to RMB53,406,000 to 30<sup>th</sup> June, 2014. The amount is classified as non-current as at 30<sup>th</sup> June, 2012. Shares held by Feng Hua have been pledged in favour of the Group to secure the performance of payment obligations of Feng Hua. The amount is interest-free.

(ii) At 31<sup>st</sup> December, 2011, included in the balance, an amount of RMB38,035,000 was unsecured, interest-free and repayable on or before 30<sup>th</sup> June, 2012.

On 29<sup>th</sup> June, 2012, the Company and Feng Hua entered into the supplemental shareholders agreement, pursuant to which the Company and Feng Hua agreed to extend the date of repayment of the amount owing by the Disposal Group of RMB38,035,000 to 30<sup>th</sup> June, 2014. The amount is classified as non-current as at 30<sup>th</sup> June, 2012. It is secured by the shares of the Disposal Group as held by Feng Hua and interest-free.

The remaining balance is unsecured, interest-free and repayable on demand. The directors of the Company considered that the amount will not be repaid within one year from the end of the reporting period. The amount is classified as non-current as at 30<sup>th</sup> June, 2012.

(iii) The amount is unsecured, interest-free and repayable on demand. The directors of the Company considered that the amount will be repaid within one year from the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 13. TRADE AND OTHER RECEIVABLES (continued)

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 receivable, presented based on the invoice date at the end of the reporting period:

	<b>30.6.2012</b> <b>RMB'000</b>	31.12.2011 RMB'000
Trade receivables		
0–60 days	<b>55,271</b>	7,401
Over 180 days	<b>1,971</b>	1,971
	<b>57,242</b>	9,372
Bills receivable		
Over 90 days	—	17,000
	—	17,000

## 14. DEPOSIT PAID FOR LAND USE RIGHT

During the six months ended 30<sup>th</sup> June, 2012, the Group paid an entire consideration of RMB7,500,000 for the acquisition of a land use right situated in the PRC to the local government. The completion of the acquisition is pending for obtaining the land use right certificate, as such, the amount paid for the land use right is recorded as a deposit at the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 15. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2012 RMB'000	31.12.2011 RMB'000
<b>Current</b>		
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control (Note i)	<b>3,982</b>	20,242
Pingchuan Iron Mining Company (Note ii)	<b>9,816</b>	9,816
	<b>13,798</b>	30,058
<b>Non-current</b>		
Langfang Bureau and entities under its control (Note i)	<b>16,439</b>	—
	<b>30,237</b>	30,058
Trade nature	<b>13,798</b>	14,620
Non-trade nature	<b>16,439</b>	15,438
	<b>30,237</b>	30,058

The Group allows its related companies an average credit period of 60 days for trade balances. 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:

	30.6.2012 RMB'000	31.12.2011 RMB'000
0-60 days	<b>3,982</b>	14,620
Over 180 days	<b>9,816</b>	—
	<b>13,798</b>	14,620

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

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

	Due to	
	30.6.2012 RMB'000	31.12.2011 RMB'000
<b>Non-trade nature</b>		
Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise") (Note iii)	<b>49,095</b>	845

Notes:

- (i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd. The amount is unsecured and interest-free and repayable on demand. The amount included trade balances of RMB3,982,000 (31<sup>st</sup> December, 2011: RMB4,804,000). The directors of the Company considered that the amount of RMB16,439,000 (31<sup>st</sup> December, 2011: nil) will not be repaid within one year from the end of the reporting period. The amount is classified as non-current as at 30th June, 2012 (31<sup>st</sup> December, 2011: RMB20,242,000).
- (ii) Pingchuan Iron Mining Company is a non-controlling shareholder of the Company's subsidiary, Liangshan Prefecture Yuechuen Mining Co., Limited. The amount is trade nature, unsecured and interest-free.
- (iii) Yue Da Enterprise is a fellow subsidiary of the Company. The amounts are unsecured, interest-free and repayable on demand.

## 16. TRADE AND OTHER PAYABLES

	30.6.2012 RMB'000	31.12.2011 RMB'000
<b>Current</b>		
Trade payables	<b>6,410</b>	5,151
Other payables (Note)	<b>53,643</b>	65,685
	<b>60,053</b>	70,836
<b>Non-current</b>		
Other payables (Note)	<b>20,612</b>	20,756
	<b>80,665</b>	91,592

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 16. TRADE AND OTHER PAYABLES (continued)

The average credit period on purchases of goods is 60 days. The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	30.6.2012 RMB'000	31.12.2011 RMB'000
0–60 days	4,050	3,567
61–120 days	1,904	1,321
Over 120 days	456	263
	<b>6,410</b>	5,151

Note: As at 30<sup>th</sup> June, 2012, included in the other payables is a mining fee payable of RMB29,079,000 (31<sup>st</sup> December, 2011: RMB28,710,000) of which RMB20,612,000 (31<sup>st</sup> December, 2011: RMB20,756,000) is non-current portion and RMB8,467,000 (31<sup>st</sup> December, 2011: RMB7,954,000) 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 of the relevant mine. 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. As at 30<sup>th</sup> June, 2012, the difference of RMB28,857,000 (31<sup>st</sup> December, 2011: RMB30,421,000) being considered as government grant and was recognised as deferred income (Note 20).

## 17. PROMISSORY NOTES

	30.6.2012 RMB'000	31.12.2011 RMB'000
Bright Harvest (Note)	—	7,722

Note:

On 30<sup>th</sup> June, 2010, the Company issued a promissory note comprising two tranches each with a principal sum of HK\$50,000,000 (equivalent to RMB43,825,000).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 17. PROMISSORY NOTES (continued)

Notes: (continued)

The promissory note is unsecured and interest-free. The first and second tranche are repayable on 31<sup>st</sup> July, 2011 and 31<sup>st</sup> July, 2012 respectively. 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 30<sup>th</sup> June, 2012, the Group early settled the promissory notes with a principal sum of HK\$10,000,000 (equivalent to RMB8,155,000). During the six months ended 30<sup>th</sup> June, 2011, the Group early settled the promissory notes with a principal sum of 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 1<sup>st</sup> July, 2010 to 30<sup>th</sup> June, 2011 (Note 4). During the six months ended 30<sup>th</sup> June, 2012, a difference of RMB50,000 (for the six months ended 30<sup>th</sup> June, 2011: 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.

## 18. BANK BORROWINGS

	2012 RMB'000	2011 RMB'000
Bank loans		
Secured	—	82,590
Unsecured	128,912	123,642
	128,912	206,232
The floating-rate bank loans are repayable*: Within one year	128,912	82,590

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

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is 3.07% to 7.84% (31<sup>st</sup> December, 2011: 1.17% to 7.54%) per annum.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 19. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount HK\$'000</b>	<b>Shown in the condensed consolidated financial statements RMB'000</b>
Ordinary shares of HK\$0.10 each:			
Issued and fully paid			
At 1 <sup>st</sup> January, 2011	685,554,928	68,556	64,773
Exercise of share options	1,213,979	121	101
At 30 <sup>th</sup> June, 2011	686,768,907	68,677	64,874
At 1 <sup>st</sup> January, 2012	686,768,907	68,677	64,874
Open offer (Note)	228,922,969	22,892	18,600
At 30 <sup>th</sup> June, 2012	915,691,876	91,569	83,474

Note: In March, 2012, the Company completed an open offer of 228,922,969 shares on the basis of one new share for every three existing shares held, at the subscription price of HK\$0.5 per share. The proceeds are intended for repayment of bank loans and promissory note and to finance the Group's general working capital requirements.

## 20. DEFERRED INCOME

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 21. 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 Group Company Limited (“Jiangsu Yue Da”), which is controlled by the Yancheng Municipal People’s Government.

And Langfang Bureau is controlled by the People’s Government of Langfang City.

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2012 RMB’000	30.6.2011 RMB’000
<b>Immediate holding company</b>			
Yue Da HK	Rentals paid on office premises and staff quarters by the Group	1,096	1,141
<b>Fellow subsidiary</b>			
Yue Da Enterprise	Rentals paid on staff quarter by the Group (Note)	97	100

Note: The rentals were charged in accordance with the relevant tenancy agreements.

As at 30<sup>th</sup> June, 2012, 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 RMB80,000,000 (31<sup>st</sup> December, 2011: RMB100,000,000). The facilities are general working capital facilities and will expire in March 2013. As at 30<sup>th</sup> June, 2012, a total amount of RMB80,000,000 was utilised by the Group.

Details of the outstanding balance with Yue Da Enterprise is set out in Note 15.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30<sup>th</sup> June, 2012

## 21. 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	
		30.6.2012 RMB'000	30.6.2011 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group	2,018	3,087

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 15.

(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 30<sup>th</sup> June, 2012

## 21. RELATED PARTY DISCLOSURES (continued)

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

Name of related party	Nature of transactions	Six months ended	
		30.6.2012 RMB'000	30.6.2011 RMB'000
<b>Non-controlling interests with significant influence over PRC subsidiaries</b>			
Pingchuan Iron Mining Company	Purchase of materials by the Group	—	34,309

Details of the outstanding balances with Pingchuan Iron Mining Company are set out in Note 15.

- (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	
	30.6.2012 RMB'000	30.6.2011 RMB'000
Short-term benefits	1,606	1,618
Post-employment benefits	818	113
	<b>2,424</b>	1,731

## 22. CAPITAL COMMITMENTS

	30.6.2012 RMB'000	31.12.2011 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	1,129	2,141

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

Turnover and gross operating profit of Yue Da Mining Holdings Limited (“Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30<sup>th</sup> June, 2012 (the “Period”) amounted to RMB209,813,000 and RMB77,758,000, representing a decrease of approximately 9.36% and an increase of 11.39% respectively, over the same period in 2011. The nonferrous metal market was challenging during the Period due to the uncertainties of the global economy and the European debt crisis. The profit and total comprehensive income attributable to the owners of the Company for the Period was RMB13,802,000 (corresponding period of last year: RMB58,851,000) and basic earnings per share was RMB1.65 cents (corresponding period of last year: RMB8.28 cents).

## INTERIM DIVIDEND

The board (“Board”) of directors (“Directors”) of the Company is pleased to recommend the payment of an interim dividend of HK1 cent (2011: Nil) per ordinary share in issue for the six months ended 30<sup>th</sup> June, 2012, which will be payable on or around Thursday, 29<sup>th</sup> November, 2012 to the shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 22<sup>nd</sup> November, 2012.

## BUSINESS REVIEW

The Group is principally engaged in exploration, mining 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 RMB198,602,000 (corresponding period of last year: RMB215,262,000) with a segment profit of RMB64,197,000 (corresponding period of last year: RMB56,619,000). The Mining Operations (excluding Mineral Trading Operations) recorded an operating revenue of RMB198,602,000 (corresponding period of last year: RMB171,569,000) with a gross profit of RMB83,335,000 (corresponding period of last year: RMB71,397,000) and gross profit margin of approximately 41.96% (corresponding period of last year: 41.61%). The Group temporarily suspended the Mineral Trading Operations due to the fluctuation and variance of iron ore price. The Mineral Trading Operations did not have any operating revenue (corresponding period of last year: RMB43,693,000) and gross profit (corresponding period of last year: RMB1,630,000) during the Period.

## Management Discussion and Analysis

The ores extracted during the Period amounted to 694,395 tons, representing an increase of 29.87% over 534,694 tons in the corresponding period of last year, with a unit mining cost (including gold ores) of approximately RMB53 per ton (corresponding period of last year: RMB81 per ton) and a unit processing cost (including gold ores) of approximately RMB43 per ton (corresponding period of last year: RMB46 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 2,793 metal tons (corresponding period of last year: 2,425 metal tons), lead ore concentrates of 1,137 metal tons (corresponding period of last year: 972 metal tons), silver of 710 kilograms (corresponding period of last year: 1,197 kilograms), iron ore concentrates of 89,665 tons (corresponding period of last year: 125,933 tons) and gold of 228.25 kilograms (corresponding period of last year: 97.09 kilograms). During the Period, the metal ore concentrates were sold at an average price of RMB8,319 per metal ton for zinc ore concentrates (corresponding period of last year: RMB9,518 per metal ton), RMB14,051 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB16,878 per metal ton), RMB634 per ton for iron ore concentrates (corresponding period of last year: RMB678 per ton) and RMB325 per gram of gold (corresponding period of last year: RMB299).

During the Period, 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 mine No. 10 operated by Tengchong Ruitu commenced successfully, thus providing a strong assurance of a daily ores processing volume of 2,000 tons. During the Period, for reasons including certain road construction projects undertaken by the local government authority which have caused inconvenience to the transport to and from the relevant mining site, the production volume of Tengchong Ruitu decreased compared with the corresponding period of last year.

Baoshan Feilong Nonferrous Metal Co., Ltd. (“Baoshan Feilong”) has further strengthened its effort in exploration activities and has made a smooth progress as planned. The processing plant achieved remarkable results in its technology improvements, and developed a catalyst in improving the grade and the extent of recovery of ore concentrates.

With the improvement of mining methods of mine No. 8, Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”) achieved a better result in mining activities for supply of ores required by the processing plant for its normal production. Currently, Yaoan Feilong is under further improvement of production optimization and technology of its processing plant, it is expected that the grade and the extent of recovery of ore concentrates will be improved significantly after completion of such improvement.

## Management Discussion and Analysis

Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining") in Shaanxi Province of the PRC is expanding its exploration activities as planned by speeding up the preparation of construction of a new processing plant with a daily processing volume of 600 tons.

On 30<sup>th</sup> June, 2010, the Group completed the acquisition of 70% equity interests in 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 PRC. The Group has focused on improving technology and increasing production capacity during the period from completion of the acquisition to 31<sup>st</sup> December, 2011. Since January 2012, Tong Ling Guan Hua has been under full production capacity. Tong Ling Guan Hua contributed significant revenue and profit to the Group during the Period.

To strengthen the upstream development of the Group, on 28<sup>th</sup> 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<sup>th</sup> April, 2011.

To maintain recurring sales and cashflow to the Group, four strategic co-operation agreements with a term of 10 years were entered into by the Group 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") and Wugang Group Kunming Iron and Steel Company Limited, a subsidiary of Wuhan Iron and Steel (Group) Corp. ("Wugang"). Details of these agreements were disclosed in the announcements of the Company dated 21<sup>st</sup> November, 2008, 9<sup>th</sup> December, 2008 and 22<sup>nd</sup> December, 2009 respectively. The above agreements continued to be in force during the Period.

### TOLL ROAD OPERATIONS

Wen An Section of the National Highway 106 in Hebei Province (the "Wen An Section") is located in Langfang, Hebei Province and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) was 10,285 during the Period (corresponding period of last year: 13,237) while the operating revenue achieved RMB11,211,000, which represented an decrease of approximately 30.85% from RMB16,213,000 of the corresponding period in last year. The Toll Road Operations also recorded a segment loss of RMB8,279,000 (corresponding period of last year: RMB6,473,000).

## Management Discussion and Analysis

The Board believes that the significant decrease in operating revenue was attributable to the commencement of operation of the Da Guang Highway, which is near to the National Highway 106, in December 2010.

The Wen An Section has also implemented a computer-aided toll fee and control system to effectively uphold the standard of the toll road operations. No adjustment was made to the toll fee for the Wen An Section during the Period. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Period. However, no large-scale maintenance works have been carried out.

### PROSPECTS

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improving and enhancing 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 as planned, the smooth progress made by Baoshan Feilong in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter, Yunnan Yuntong, Panzihua Steel and Wugang, the Group has built a concrete foundation of steady cash flow and reasonable level of profit. In addition, Daqian Mining has expanded its exploration activities as planned by accelerating the preparation of construction of a new processing plant with a daily processing volume of 600 tons in order to increase the exploration of mineral assets. Yaoan Feilong is taking further steps to improve production optimization and technology so as to improve the grade and recovery of ore concentrates. Tong Ling Guan Hua has also contributed significant revenue and profit to the Group. Meanwhile, the optimization and technology improvement of its operation flow is in progress. Looking forward to the second half of 2012, the environment for the mining business is expected to be improved as compared to the first half of 2012. As market prices of non-ferrous metal is expected to pick up, the Board plans to implement a number of strategies, including acceleration of the preparatory steps for 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. On the other hand, the Group is making preparations for acquisition of mining rights with high potential in China and South East Asia countries at an appropriate time.



# Management Discussion and Analysis

## IMPORTANT EVENTS DURING THE PERIOD

### **Co-operation with 四川省鹽源縣平川鐵礦 Sichuan Province Yanyuan County Pingchuan Iron Mine (“Pingchuan Iron”, an enterprise)**

On 20<sup>th</sup> 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 with Pingchuan Iron 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 2<sup>nd</sup> 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 8<sup>th</sup> 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 2013;
- (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,

## Management Discussion and Analysis

it is currently expected that 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.

### **Proposed acquisition of 80% equity interests in a silver, lead and zinc mine in Lao People's Democratic Republic ("Lao PDR")**

On 3<sup>rd</sup> November, 2011, the Company announced that the Company was in preliminary negotiation with Yue Da Enterprise Group (HK) Co., Limited ("YD Enterprise"), an associate of Jiangsu Yue Da Group Company Limited being a substantial shareholder of the Company, in respect of a proposed acquisition of a wholly-owned subsidiary of YD Enterprise, which would in turn own about 80% interest in a company ("Lao Company") established in Lao PDR. According to YD Enterprise, the Lao Company holds the exploitation and exploration right of silver, lead and zinc mine and exploration rights of certain other mines located in Lao PDR. As at the date of this report, the Company is conducting due diligence work on the Lao Company and engaging in further negotiation of the terms of the proposed acquisition.

### **Open Offer**

An open offer ("Open Offer") was implemented by the Company in early 2012. Under such Open Offer, 228,922,969 offer shares at the subscription price of HK\$0.5 per offer share (on the basis of one offer share for every three then existing shares of the Company held on the record date on 21<sup>st</sup> February, 2012) became unconditional on 9<sup>th</sup> March, 2012 and the Company raised a gross proceeds of approximately HK\$114 million (net proceeds after deducting for expenses being approximately HK\$108 million) as a result of such Open Offer. The Company has applied the proceeds for the following purposes:

- (i) HK\$50 million for the repayment of a bank loan due to Industrial and Commercial Bank of China (Asia) Limited;
- (ii) HK\$10 million for the repayment of promissory note due 31<sup>st</sup> July, 2012 arising from the acquisition of Absolute Apex Limited as disclosed in the announcement of the Company dated 16<sup>th</sup> April, 2010; and
- (iii) the balance as general working capital.

# Management Discussion and Analysis

## **Second Supplemental Agreement to the Disposal Agreement dated 16<sup>th</sup> August, 2011 in relation to the disposal of Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited and its subsidiaries located in Wengnitute Banner of Inner Mongolia (collectively “Disposal Group”) and the Supplemental Shareholders Agreement of the Disposal Group**

As disclosed in the announcement of the Company on 29<sup>th</sup> June, 2012, Yue Da Mining Limited, a wholly owned subsidiary of the Company, and Feng Hua Group Limited (“Feng Hua”) entered into:

- (a) the second supplemental sale and purchase agreement, pursuant to which the parties conditionally agreed to extend the last date of payment in full of the outstanding balance of the consideration for disposal of the Disposal Group being an amount of RMB53,406,000 as at 29<sup>th</sup> June, 2012 by Feng Hua as purchaser to Yue Da Mining Limited as vendor from 30<sup>th</sup> June, 2012 to 30<sup>th</sup> June, 2014; and
- (b) the supplemental shareholders agreement, pursuant to which the parties conditionally agreed to extend the last date of payment in full of the sum of RMB38,034,821.88 owing by the Disposal Group to Yue Da Mining Limited from 30<sup>th</sup> June, 2012 to 30<sup>th</sup> June, 2014.

In such connection, Feng Hua has charged all the issued shares held by Feng Hua in each of the Disposal Group companies in favour of Yue Da Mining Limited to secure (among others) the performance of payment obligations of Feng Hua and the Disposal Group as mentioned above.

As at the date of this report, none of the above outstanding sum has been repaid by Feng Hua and the Disposal Group.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30<sup>th</sup> June, 2012, the Group’s current assets were RMB354,161,000 (31<sup>st</sup> December, 2011: RMB381,580,000), of which RMB216,562,000 (31<sup>st</sup> December, 2011: RMB127,614,000) were bank balances and cash on hand. As at 30<sup>th</sup> June, 2012, the net asset value of the Group amounted to RMB1,348,724,000, representing an increase of approximately 9.31% as compared to RMB1,233,904,000 at 31<sup>st</sup> December, 2011. The gearing ratio (total liabilities/ total assets) of the Group was approximately 31.37% (31<sup>st</sup> December, 2011: 34.81%). As at 30<sup>th</sup> June, 2012, the share capital of the Company was RMB83,474,000 (31<sup>st</sup> December, 2011: RMB64,874,000). The Company’s reserve and minority interests were RMB1,063,027,000 (31<sup>st</sup> December, 2011: RMB973,692,000) and RMB202,223,000 (31<sup>st</sup> December, 2011:

# Management Discussion and Analysis

RMB195,338,000) respectively. As at 30<sup>th</sup> June, 2012, the Group had total current liabilities of RMB258,333,000 (31<sup>st</sup> December, 2011: RMB298,507,000), mainly comprising bank borrowing, trade and other payables and amount due to a related company. The total non-current liabilities of the Group amounted to RMB358,101,000 (31<sup>st</sup> December, 2011: RMB360,484,000), which were mainly other payables and deferred tax liabilities.

## CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include amount due to a related company, amounts due to Directors, obligations under finance leases, promissory notes, bank borrowings 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 debts or the redemption of existing debts.

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 loss amounting to RMB492,000 during the Period. The Group was not engaged in any hedging by financial instruments in relation to the exchange rate risk.

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

As at 30<sup>th</sup> June, 2012, the Group did not have any guarantees and charges nor any other material contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICY

As at 30<sup>th</sup> June, 2012, the Group had a total of approximately 1,335 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining operations. 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 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.

## Other Information

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

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

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15<sup>th</sup> November, 2012 to Thursday, 22<sup>nd</sup> November, 2012 both days inclusive. During such period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer of shares in the Company accompanied by the relevant share certificates must lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited, Shops 1712–1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 14<sup>th</sup> November, 2012.

### THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Group has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 14<sup>th</sup> June, 2012 (the "2011 AGM") (deviated from code provision E.1.2) due to other business commitment. Nevertheless, one of the independent non-executive Directors of the Company attended and acted as the Chairman of the 2011 AGM; and (ii) Mr. Chen Yunhua and Mr. Qi Guang Ya both being non-executive Directors and Mr. Han Run Sheng being an independent non-executive Director were not able to attend the 2011 AGM (deviated from code provision A.6.7) due to their other business commitments. Nevertheless, each of these Directors has passed his opinion to the chairman of the 2011 AGM before its commencement.

### 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.

## Other Information

### AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 27<sup>th</sup> August, 2012, 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.

### NOMINATION COMMITTEE

The Company has set up with written terms of reference a nomination committee, whose members are currently Mr. Cui Shu Ming (chairman of the nomination committee, an independent non-executive Director), Ms. Leung Mei Han (an independent non-executive Director), Mr. Liu Yongping (an independent non-executive Director) and Mr. Dong Li Yong (an executive Director). Duties of the nomination committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience.

## Other Information

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

As at 30<sup>th</sup> June, 2012, 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 of Hong Kong Limited (“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 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	0.33%
	The Company	Beneficial owner	1,489,352 (Note 2)	0.16%
	The Company	Beneficial owner	3,183,600 (Note 3)	0.35%
Liu Xiao Guang	The Company	Beneficial owner	800,000	0.09%
	The Company	Beneficial owner	744,676 (Note 2)	0.08%
	The Company	Beneficial owner	1,591,800 (Note 3)	0.17%
Hu Huaimin	The Company	Beneficial owner	1,130,666	0.12%
	The Company	Beneficial owner	1,179,070 (Note 2)	0.13%
	The Company	Beneficial owner	1,591,800 (Note 3)	0.17%
Chen Yunhua	The Company	Beneficial owner	3,820,320 (Note 3)	0.42%
	The Company	Beneficial owner	1,591,800 (Note 4)	0.17%
Qi Guang Ya	The Company	Beneficial owner	744,676 (Note 2)	0.08%
	The Company	Beneficial owner	1,273,440 (Note 3)	0.14%

## 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 27<sup>th</sup> May, 2009 under the share option scheme of the Company with an exercise price of HK\$0.854 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 Directors on 30<sup>th</sup> January, 2012 under the share option scheme of the Company with an exercise price of HK\$0.5503 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.
4. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Director on 19<sup>th</sup> April, 2010 under the share option scheme of the Company with an exercise price of HK\$1.617 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.

Save as disclosed above and in this interim report, as at 30<sup>th</sup> June, 2012, 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

During the Period and up to the date of this interim report, no Director and his 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 30<sup>th</sup> June, 2012, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

<b>Name of the shareholder</b>	<b>Name of the company/ associated corporation</b>	<b>Capacity</b>	<b>Number of Shares</b> (Note 1)	<b>Approximate percentage in the entire issued share capital of the Company</b>
Yue Da Group (H.K.) Co., Limited	The Company	Beneficial owner	389,241,333	42.51%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	389,241,333 (Note 2)	42.51%

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

The Company adopted a share option scheme pursuant to a resolution passed on 12<sup>th</sup> November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Such share option scheme was terminated on 9<sup>th</sup> June, 2011. A new share option scheme was adopted by the Company on 9<sup>th</sup> June, 2011 for the same purpose. Details of movements during the Period in the options granted by the Company under the schemes are as follows:

	Date of grant	Exercise price per share	Exercisable period	Outstanding	Granted during the Period	Adjustments during the Period	Lapsed during the Period	Outstanding	
				at 1 <sup>st</sup> January, 2012				at 30 <sup>th</sup> June, 2012	
Directors of the Company	27 <sup>th</sup> May, 2009	0.854	28 <sup>th</sup> May, 2009 – 26 <sup>th</sup> May, 2019	1,111,072	–	67,997	–	1,179,069	
	9 <sup>th</sup> July, 2009	0.854	9 <sup>th</sup> July, 2009 – 24 <sup>th</sup> May, 2018	2,806,920	–	171,785	–	2,978,705	
	19 <sup>th</sup> April, 2010	1.617	20 <sup>th</sup> April, 2010 – 19 <sup>th</sup> April, 2020	1,500,000	–	91,800	–	1,591,800	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2012 – 29 <sup>th</sup> January, 2017	–	4,320,000	264,384	–	4,584,384	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2013 – 29 <sup>th</sup> January, 2017	–	3,240,000	198,288	–	3,438,288	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2014 – 29 <sup>th</sup> January, 2017	–	3,240,000	198,288	–	3,438,288	
				5,417,992	10,800,000	992,542	–	17,210,534	
Employees	27 <sup>th</sup> May, 2009	0.854	28 <sup>th</sup> May, 2009 – 26 <sup>th</sup> May, 2019	4,162,423	–	254,740	(906,022)	3,511,141	
	9 <sup>th</sup> July, 2009	0.854	9 <sup>th</sup> July, 2009 – 24 <sup>th</sup> May, 2018	5,251,281	–	321,376	(583,330)	4,989,327	
	19 <sup>th</sup> April, 2010	1.617	20 <sup>th</sup> April, 2010 – 19 <sup>th</sup> April, 2020	700,000	–	42,840	–	742,840	
	19 <sup>th</sup> April, 2010	1.617	20 <sup>th</sup> April, 2011 – 19 <sup>th</sup> April, 2020	150,000	–	9,180	–	159,180	
	19 <sup>th</sup> April, 2010	1.617	17 <sup>th</sup> December, 2010 – 16 <sup>th</sup> December, 2020	150,000	–	9,180	–	159,180	
	16 <sup>th</sup> December, 2010	1.2721	17 <sup>th</sup> December, 2011 – 16 <sup>th</sup> December, 2020	144,000	–	8,812	–	152,812	
	16 <sup>th</sup> December, 2010	1.2721	17 <sup>th</sup> December, 2012 – 16 <sup>th</sup> December, 2020	108,000	–	6,609	–	114,609	
	16 <sup>th</sup> December, 2010	1.2721	20 <sup>th</sup> April, 2010 – 19 <sup>th</sup> April, 2020	108,000	–	6,609	–	114,609	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2012 – 29 <sup>th</sup> January, 2017	–	6,080,000	372,096	(84,896)	6,367,200	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2013 – 29 <sup>th</sup> January, 2017	–	4,560,000	279,072	(63,672)	4,775,400	
	30 <sup>th</sup> January, 2012	0.5503	1 <sup>st</sup> April, 2014 – 29 <sup>th</sup> January, 2017	–	4,560,000	279,072	(63,672)	4,775,400	
					10,773,704	15,200,000	1,589,586	(1,701,592)	25,861,698
	Total				16,191,696	26,000,000	2,582,128	(1,701,592)	43,072,232
Exercisable at the end of the Period				15,933,696				26,530,247	
Weighted average exercise price (HK\$)				1.04				0.71	

Note: The exercise price and the number of share options outstanding as at 30<sup>th</sup> June, 2012 have been adjusted to reflect the effect of the Open Offer on 15<sup>th</sup> March, 2012.

## Other Information

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

*Executive Directors*

Dong Li Yong  
Liu Xiao Guang  
Hu Huaimin

*Non-executive Directors*

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, 27<sup>th</sup> August, 2012