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

Stock Code: 629

2012
Annual Report

Contents

Corporate Information

REGISTERED OFFICE:

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG:

Office nos. 3321–3323 and 3325
33/F, China Merchants Tower
Shun Tak Centre
No. 168–200 Connaught Road Central
Sheung Wan
Hong Kong

MEMBERS OF THE BOARD:

Executive directors

Mr. Dong Li Yong, Mr. Liu Xiaoguang and Mr. Hu Huaimin

Non-executive directors

Mr. Chen Yunhua and Mr. Qi Guangya

Independent non-executive directors

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

AUDIT COMMITTEE :

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

REMUNERATION COMMITTEE :

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

NOMINATION COMMITTEE:

Mr. Cui Shuming (Chairman), Mr. Dong Li Yong, Ms. Leung Mei Han and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Dong Li Yong
Mr. Liu Xiaoguang

COMPANY SECRETARY:

Mr. Ong Chi King

INDEPENDENT AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Chiu & Partners

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

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

PLACE OF LISTING:

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

PRINCIPAL BANKERS:

China Merchants Bank
Standard Chartered Bank

Chairman's Statement

{{ **The Mining and Mineral Trading Operations recorded an operating revenue of RMB337,712,000 with a gross profit of RMB114,117,000 and gross profit margin of approximately 33.8%.** }}

Chen Yunhua
Chariman

On behalf of the board ("Board") of directors ("Directors") of Yue Da Mining Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2012 (the "Year").

FINANCIAL PERFORMANCE

Turnover and gross operating profit of the Group for the Year amounted to RMB359,059,000 and RMB102,854,000, representing a decrease of approximately 13.9% and 21.6%, respectively, over the year ended 31st December, 2011 ("2011"). Audited loss and total comprehensive expense attribute to the owners of the Company for the Year amounted to RMB230,293,000 (corresponding period of last year profit and total comprehensive income was RMB105,022,000) and basic loss per share amounted to RMB26.24 cents for the Year.

Chairman's Statement

BUSINESS DEVELOPMENT

The Group is principally engaged in the mining as well as exploring and processing of metal minerals (the "Mining Operations") and trading of iron ore and related products (the "Mineral Trading Operations", together with the Mining Operations, collectively as "Mining and Mineral Trading Operations"), and the operation of a toll road (the "Toll Road Operations").

Mining and Mineral Trading Operations

The nonferrous metal market was challenging during the Year due to the uncertainties of the global economy and the European debt crises. As a result, both revenue and segment results of Mining Operations have decreased.

During the Year, road construction projects undertaken by the local government authority caused inconvenience to the transportation in mining sites and the regional safety inspections caused the decline in the production volume in Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu"), a subsidiary of the Company, compared with corresponding period of 2011.

Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), a subsidiary of the Company, 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 stablising production volume, improving the grade and the extent of recovery of ore concentrates.

Currently, mine No. 8 of Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong"), a subsidiary of the Company, is under further improvement of production optimization and technology of its processing plant.

Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining"), another subsidiary of the Company, in Shaanxi Province of the PRC was affected by further deterioration of the metal market and relatively lower grade of ores. The production of Daqian Mining has been suspended.

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") being the holder of mining rights of a gold mine and an exploration licence of an iron mine in Anhui Province, the PRC. The Group focused on improving technology and increasing production capacity during the period from the completion of the acquisition to 31st December, 2011. The Group recognised a compensation of approximately RMB20,731,000 in relation to the shortfall of performance due to the temporary postponement of production plan in second half of 2012 by Tongling Guan Hua representing a decrease of approximately 72% as compared to RMB74,182,000 in 2011. Tong Ling Guan Hua has contributed significant revenue and profit to the Group during the Year.

To maintain recurring sales and cashflows to the Group, four strategic co-operation agreements, each 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 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 Year.

PROSPECTS

The Group has from time to time 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.

Looking forward to 2013, the environment for the mining business is expected to be as difficult as in 2012. In 2013, 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 an acquisition of peripheral mining rights with high potential at an appropriate time. At the same time, the Group target to capture opportunities for acquisition of projects with rich reserves, high quality, immense value-added potentials and quick cashflow returns, in order to allow the Group to further expand its scale of production, diversify into new profit streams and deliver higher returns to our shareholders.

APPRECIATION

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

By order of the Board
Chen Yunhua
Chairman

Hong Kong, 27th March, 2013

Management Discussion and Analysis

The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 5,714 metal tons, lead ore concentrates (including silver) of 2,311 metal tons, iron ore concentrates of 142,498 tons and gold of 405 kilograms.

FINANCIAL HIGHLIGHTS

The Group recorded an operating revenue of RMB359,059,000 in the Year, representing a decrease of approximately 13.9% from RMB416,795,000 in 2011. Gross operating profit amounted to RMB102,854,000 in the Year, representing a decrease of approximately 21.6% as compared to RMB131,145,000 in 2011. The nonferrous metal market was challenging during the Year due to the uncertainties of the global economy and the European debt crisis. Affected by the impairment of mining rights, other assets and available-for-sale investments of the Group of RMB160,274,000, RMB53,586,000 and RMB54,493,000 respectively, audited loss and total comprehensive expense attributable to the owners of the Company for the Year amounted to RMB230,293,000 (corresponding period of last year: profit and total comprehensive income of RMB105,022,000) and basic loss per share amounted to RMB26.24 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any final dividend for the Year (2011: nil).

Management Discussion and Analysis

BUSINESS REVIEW

Overview

The Group is principally engaged in the Mining and Mineral Trading Operations and the Toll Road Operations. During the Year, the Mining and Mineral Trading Operations realized an operating revenue of RMB337,712,000 with a segment loss of RMB123,361,000, whereas the Toll Road Operations recorded a net operating revenue of RMB21,347,000 and a segment loss of RMB40,229,000.

Mining and Mineral Trading Operations

During the Year, the Mining Operations (excluding the Mineral Trading Operations i.e the trading of iron ore and related products) recorded an operating revenue of RMB337,712,000 (corresponding period of 2011: RMB342,950,000) with a gross profit of RMB114,117,000 (corresponding period of 2011: RMB133,862,000) and gross profit margin of approximately 33.8% (corresponding period of 2011: 39%). During the Year, the Mineral Trading Operations recorded zero operating revenue (corresponding period of 2011: RMB43,694,000) and nil gross profit (corresponding period of 2011: RMB1,630,000).

The ores extracted during the Year amounted to 2,012,676 tons with a unit mining cost (including gold ores) of approximately RMB34 per ton (2011: RMB69 per ton) and a unit processing cost (including gold ores) of approximately RMB44 per ton (2011: RMB44 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 5,714 metal tons, lead ore concentrates (including silver) of 2,311 metal tons, iron ore concentrates of 142,498 tons and gold of 405 kilograms. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB7,798 per metal ton for zinc ore concentrates, RMB14,576 per metal ton for lead ore concentrates (with silver content), RMB617 per ton for iron ore concentrates and RMB328 per gram of gold.

Toll Road Operations

Wen An Section of the National Highway 106 in Hebei Province (the "Wen An Section") is located in Langfang, Hebei Province and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) was 15,055 during the Year (2011: 17,841) while the operating revenue reached RMB21,347,000, which represented an decrease of approximately 29.2% from RMB30,151,000 in 2011. The Board believes that the significant decrease in operating revenue was because of the operation of the Da Guang Highway, which is near to the National Highway 106 since 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 Year. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Year. However, no large-scale maintenance works have been carried out.

Impairment Losses on Assets and Available-for-Sale Investments

During the Year, the Mining and Mineral Trading Operations segment recorded an impairment losses on mining rights and property, plant and equipment of RMB160,274,000 and RMB31,401,000 respectively, principally due to (i) a general decline in the price of zinc and lead in the commodity market in the Year, (ii) the tightening of safety and environmental requirements by the PRC government on mining industry which increased the operating costs; and (iii) a general increase in raw material prices and production costs during the Year. For the same reasons above and as result of the deferral of the production plan of Disposal Group, an impairment loss on available-for-sale investments of RMB54,493,000 was recognised during the Year.

During the Year, the Toll Roads Operation segment recorded impairment losses on goodwill, other intangible assets and property, plant and machinery, of RMB482,000, RMB20,777,000 and RMB926,000 respectively, principally due to (i) the commencement of operation of the Da Guang Highway, which is near to the National Highway 106 in December 2010; and (ii) the expiry of operation rights for Wen An Section in mid 2013 and the uncertainty on the result of the negotiations with the relevant government authorities to extend the operating period.

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

On 20th May, 2010, Pingchuan Iron and Yue Da Pingchuan Limited ("Yue Da Pingchuan"), a wholly owned subsidiary of the Company, entered into a joint venture agreement with Pingchuan Iron in relation to the formation of 涼山州悅川礦業有限責任公司 Yuechuan JV in the PRC. On 2nd July, 2010, Pingchuan Iron and Yue Da Pingchuan entered into a supplemental joint venture agreement in relation to the development of Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC ("Pingchuan Iron Mine") by Yuechuan JV. Yuechuan JV, a limited liability company, was formed on 8th July, 2010. The registered capital of Yuechuan JV is RMB100 million and the equity interest of which is owned as to 49% by Yue Da Pingchuan and 51% by Pingchuan Iron. Yue Da Pingchuan and Pingchuan Iron contributed RMB49 million and RMB51 million respectively to the registered capital of Yuechuan JV.

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

Open Offer

An open offer ("Open Offer") was completed 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 21st February, 2012) became unconditional on 9th 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 31st July, 2012 arising from the acquisition of Absolute Apex Limited as disclosed in the announcement of the Company dated 16th April, 2010; and

(iii) the balance as general working capital.

Second Supplemental Agreement to the Disposal Agreement dated 16 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 June 2012, Yue Da Mining Limited ("YDM"), a wholly owned subsidiary of the Company, and Feng Hua Group Limited ("Feng Hua") entered into:

(i) 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 June 2012 by Feng Hua as purchaser to YDM as vendor from 30 June 2012 to 30 June 2014; and

(ii) the supplemental shareholders agreement, pursuant to which the parties conditionally agreed to extend the last date of payment in full of the sum of RMB38,035,000 owing by the Disposal Group to YDM from 30 June 2012 to 30 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.

Proposed investment in Vietnam companies and event(s) after the end of the annual reporting period ended 31st December, 2012

On 21st January, 2013, the Company announced that YDM entered into the following agreements:

(i) A conditional subscription agreement ("Subscription Agreement") for the subscription of 60% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise Technology Limited ("Everwise") at US$6 million; and New Aims Holdings Limited shall subscribe 40% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise at US$4 million.

(ii) A conditional loan agreement to grant to Mineral Land Holdings Limited ("Mineral Land") a term loan facility up to US$16 million for a term of one year, which carries a fixed-sum of US$1 million interest; and

(iii) Solid Success International Limited ("Solid Success") has granted to YDM a call option to sell (a) the entire issued share capital of Mineral Land and (b) the benefit of shareholder's loan from Solid Success to Mineral Land at not more than US$36 million (subject to adjustment).

Everwise, whose indirect operating subsidiary being a Vietnam company ("Slag Factory") will be principally engaged in the processing and exporting titanium slags in Vietnam. Slag Factory, upon its establishment which is expected in the first half of 2013, will be owned as to 70% by Everwise and 30% by Duong Lam Joint Stock Company (which 60% interest is proposed to be acquired by Mineral Land).

Please refer to the circular of the Company dated 17th April, 2013 for details of this transaction.

Prospect

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, Panzhihua Steel and Wugang, the Group has built a concrete foundation to have steady cash flow and reasonable level of profit. 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.

As mentioned in the paragraph headed "Proposed investment in Vietnam Companies and event(s) after the end of the annual reporting period ended 31st December, 2012" above, the Company proposed to invest in Slag Factory in Vietnam. The Board believes that such proposed investment will diversify the revenue stream of the Group and have significant contribution to the performance of the Group in the future.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6th June, 2013 to 14th June, 2013, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the "AGM") of the Company to be held on 14th June, 2013, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 5th June, 2013.

Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") in due course.

FINANCIAL POSITION

Liquidity and Financial Resources

As at 31st December, 2012, the Group's current assets were RMB356,728,000 (2011: RMB381,580,000), of which RMB191,527,000 (2011: RMB127,614,000) were bank balances and cash. As at 31st December, 2012, the net asset value of the Group amounted to RMB1,063,612,000, representing a decrease of approximately 13.8% as compared to RMB1,233,904,000 in 2011. The gearing ratio (total liabilities/total assets) of the Group was approximately 32.5% (2011: 34.8%).

As at 31st December, 2012, the issued share capital of the Company was RMB83,474,000 (2011: RMB64,874,000). The Company's reserve and non-controlling interests were RMB811,207,000 (2011: RMB973,692,000) and RMB168,931,000 (2011: RMB195,338,000), respectively. As at 31st December, 2012, the Group had total current liabilities of RMB253,763,000 (2011: RMB298,507,000), mainly comprising bank borrowings, taxation payable, amount due to related companies and trade and other payables. The total non-current liabilities of the Group amounted to RMB259,503,000 (2011: RMB360,484,000), mainly comprising provisions and deferred tax liabilities. The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Year, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal and thus the Group did not have a hedging policy in this regard.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2012, the Company did not have any guarantees and charges nor any other material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2012, the Group had a total of approximately 1,479 employees (where they were located in Hong Kong and the PRC), engaged in management, administration, toll collection functions and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

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

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

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 of the Listing Rules, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code"), became effective on 1 April 2012. In the opinion of the Board, the Group has complied with the Former Code from 1 January 2012 to 31 March 2012 and the Revised Code from 1 April 2012 to 31 December 2012, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 14th 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 attended and acted as the chairman of the 2011 AGM; (ii) Mr. Chen Yunhua and Mr. Qi Guangya 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; and (iii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Bye-Laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi Guangya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguard the interest of the shareholders of the Company. At a meeting held on 27th March, 2013, the audit committee reviewed the accounting principles and practices adopted by the Group, the annual results of the Group for the Year and the continuing connected transactions carried out by the Group during the Year, and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company has set up a nomination committee with written terms of reference, whose members are currently Mr. Cui Shuming (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.

Corporate Governance Report

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

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

The Stock Exchange has made various amendments to the Code on Corporate Governance Practices (the "Former Code") set out in Appendix 14 to the Listing Rules, and the revised code, namely the "Corporate Governance Code and Corporate Governance Report" (the "Revised Code", together with the Former Code, collectively, the "Code"), became effective on 1 April 2012. In the opinion of the Board, the Group has complied with the Former Code from 1 January 2012 to 31 March 2012 and the Revised Code from 1 April 2012 to 31 December 2012, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 14th 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 attended and acted as the chairman of the 2011 AGM; (ii) Mr. Chen Yunhua and Mr. Qi Guangya 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; and (iii) the non-executive Directors are not appointed for a specific term (deviated from code provision A.4.1). However, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Bye-Laws.

BOARD OF DIRECTORS

Pursuant to the Code, an issuer should be headed by an effective board of directors which should assume responsibility for leadership and control of the company and be collectively responsible for promoting the success of the company by directing and supervising the company's affairs. The Board should make decisions objectively in the interests of the Company. The Board is committed to the improvement of the corporate governance system of the Company and is ultimately responsible for formulating and implementing strategies and the operating results of the Company. The Board is charged with promoting the success of the Company by directing and supervising its affairs in a responsible and effective manner. The Board steers and oversees the management of the Company such as, establishing strategic direction and setting long-term objectives of the Company, monitoring performance of management, protecting and maximizing the interests of the Company and its shareholders, and reviewing and monitoring of annual budget against actual performances and results. The Board has delegated management, under the leadership of the Chief Executive, with authorities and responsibilities for the day-to-day operations and administration of the Group.

The main duties of the Board include:

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

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

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

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

The Company has established internal guidelines to clarify matters which require approval of the Board. Under the guidelines, the Board's approval is required for significant financing programs of the Company, such as investment plans, merger and acquisition or disposal of major assets, major capital expenditure and external borrowings.

The Board is also committed to perform the following tasks as set out in the Code D3.1:

1) to develop and review the Company's policies and practices on corporate governance;

2) to review and monitor the training and continuous professional development of directors and senior management;

3) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

4) to develop, review and monitor the code of conduct and compliance manual of employees and directors; and

5) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

Corporate Governance Report

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

	Board	Audit Committee	Remuneration Committee
Number of meetings held	4	2	1
Attendance			
Dong Li Yong	4		1
Liu Xiaoguang	3		
Hu Huaimin	3		
Chen Yunhua	1		
Qi Guangya	3	2	
Leung Mei Han	3	1	
Cui Shuming	4	2	1
Han Runsheng	3	1	
Liu Yongping	4		

The Board comprises 9 members, of whom 3 are executive Directors, 2 are non-executive Directors and 4 are independent non-executive Directors.

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

Board members

Name	**Office**
Dong Li Yong	*Executive Director/Chief Executive*
Liu Xiaoguang	*Executive Director*
Hu Huaimin	*Executive Director*
Chen Yunhua	*Chairman/Non-executive Director*
Qi Guangya	*Non-executive Director*
Leung Mei Han	*Independent non-executive Director*
Cui Shuming	*Independent non-executive Director*
Han Runsheng	*Independent non-executive Director*
Liu Yongping	*Independent non-executive Director*

Audit Committee members

Leung Mei Han	*Chairman*
Qi Guangya	
Cui Shuming	

Remuneration Committee members

Cui Shuming	*Chairman*
Dong Li Yong	
Han Runsheng	

Nomination Committee members

Cui Shuming	*Chairman*
Dong Li Yong	
Leung Mei Han	
Liu Yongping	

The Company also maintains on its website (www.yueda.com.hk) an updated list of its Directors identifying their roles and functions and whether they are independent non-executive directors. Each member of the Board, with different backgrounds and possessing different expertise, has extensive experience in corporate planning and operation management, capital market, financial accounting, auditing, geology and so forth.

The Company has received, from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

There is no relationship (including financial, business, family and other material/relevant relationship) among the members of the Board of the Company (including between the chairman and the Chief Executive).

The Company encouraged the Directors to participate in the continuous professional development programme to develop and update their knowledge and skills to ensure that they are equipped with all the information and can continue to contribute to the Board when required. The Company is responsible for the costs of such programme. During the Year, all Directors are committed to comply with the Revised Code A6.5 and have attended training on topics such as corporate governance and inside information disclosures. The Directors have also provided to the Company a record of training they received during the Year.

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the execution of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

CHAIRMAN AND CHIEF EXECUTIVE

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

The functions of the Chairman and the chief executive of the Company are clearly segregated. The Chairman of the Board, Mr. Chen Yunhua, is responsible for providing leadership for the Board. His main responsibility is to ensure that the Board works effectively and that all key and appropriate issues are discussed by it in a timely manner. The Chairman is also responsible for ensuring that good corporate governance practices and procedures are established and followed. The Chairman is also responsible for ensuring that appropriate steps are taken to provide effective communication with the shareholders and that the views of shareholders are communicated to the Board as a whole.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code. All Directors of the Company, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Year.

NON-EXECUTIVE DIRECTORS

Each of Mr. Chen Yunhua and Mr. Qi Guangya has been appointed as an non-executive Director whereas each of Ms. Leung Mei Han, Mr. Cui Shuming, Mr. Han Runsheng and Mr. Liu Yongping has been appointed as independent non-executive Director. The non-executive Directors are not appointed for a specific term, however, all non-executive Directors are subject to retirement and rotation once every three years in accordance with the Company's Bye-Laws.

Directors' responsibility for the Financial Statements

The Directors acknowledged their responsibility for overseeing the preparation of the financial statements of the Group for the year ended 31 December 2012. The Directors ensure that the financial statements of the Group are prepared so as to give a true and fair view of the Group's state of affairs, the results and cash flow for the Year, and on a going concern basis in accordance with the statutory requirements and applicable accounting and financial reporting standards.

The Directors also ensure timely publication of the Group financial statements and aim to present a clear, balanced and understandable assessment of the Group's performance and position through all its publications and communications to the public and is aware of the requirements under the applicable rules and regulations about timely disclosure of price-sensitive information.

The report from the auditor of the Company regarding their responsibilities and opinion on the financial statements of the Group for the year ended 31 December 2012 is set out in the "Independent Auditor's Report" to this annual report. The Board has taken steps to ensure the continued objectivity and independence of the external auditors. For the year ended 31 December 2012, the remuneration paid/ payable to the external auditor of the Company were approximately HK$4.42 million in respect of the audit and non-audit services provided to the Group respectively. Details of the significant non-audit service and the related amount are as follows:

Review of interim financial information for the six months ended 30 June 2012	HK$1,500,000
Act as reporting accountants for open offer exercise at the first half of the Year	HK$420,000
Review of continuing connected transaction	HK$50,000

BOARD COMMITTEES

Audit Committee

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

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

The terms of reference of the Audit Committee setting out the committee's authority and duties are available from the Company's website.

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

The terms of reference of the Remuneration Committee setting out the committee's authority and duties are available in the Company's website.

The principal role of the Remuneration Committee is to provide advice and recommendation to the Board on the remuneration package of Directors, on any specific remuneration package with reference to market conditions, performance of the Group and the individuals against present goals and targets as set by the Board from time to time, and if necessary, on any compensation policy for termination of office of Directors.

The Remuneration Committee held one meeting during the year ended 31 December 2012, with all committee members attended the meeting. In the meeting, the Remuneration Committee reviewed and recommended (i) the remuneration package of Directors and senior management; and (ii) adjustment of the fees for certain directors and senior management.

Nomination Committee

The Company has set up the Nomination Committee with written terms of reference, whose members are currently Mr. Cui Shuming (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.

The terms of reference of the Nomination Committee setting out the committee's authority and duties are available in the Company's website.

The principal duties of the Nomination Committee are as follows:

1. reviews the structure, size and composition (including skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. identifies individuals suitably qualified to become Board members and selects or makes recommendations to the Board on the selection of individuals nominated for directorships;

3. assesses the independence of the Independent Non-executive Directors; and

4. makes recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Year, no meeting of Nomination Committee was held but a meeting was held on 27 March 2013 to (i) review the existing structure, size and composition of the Board; (ii) confirm independence of independent non-executive Directors; and (iii) make recommendation to the Board on the proposed re-election of the retiring Directors at the forthcoming annual general meeting.

Internal controls

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

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

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

Investors' Relations and Communication with Shareholders

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

The Company, the Board and the management place high regard on the opinions and needs of shareholders. The Company attempts to enhance the communication with its shareholders through publishing interim and annual results and reports and press releases as well as announcing publicly its latest developments on its website (www.yueda.com.hk). Shareholders may also receive the latest information released by the Company electronically. The annual general meeting of the Company is a communication channel between the shareholders and the Board members, including independent non-executive Directors and the senior management. The chairman of the Board and chairmen of each committee shall try their best to attend the meeting to answer questions raised by the shareholders. During the Year, the Company held two general meetings (including the 2011 AGM), at which a separate resolution was proposed in respect of each motion. The procedures for and the rights of shareholders to demand a poll and details of the proposed resolutions were disclosed in the circular sent to shareholders prior to each of the general meeting.

The Company is committed to ensure that it is fully compliant with the disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders of the Company and potential investors have an equal opportunity to receive and obtain externally available information released by the Group.

Shareholders' Rights

Pursuant to article 64 of the articles of association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The above written requisition shall be addressed to the Company's head office at:

Room 3321-23 and 3325, 33 Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong

The procedures for proposing a person for election as a Director are set out in the section "Investor Relations" on the home page of the Company's website.

Shareholders may at any time send their enquiries to the Board in writing through the company secretary of the Company whose contact details are as follows:

The Company Secretary
Room 3321-23 and 3325, 33 Floor, China Merchants Tower, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong
Fax: (852) 2587 7308
Email: leoong@yueda.com.hk

During the Year, the Company has not made any changes to its memorandum and articles of association.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr DONG Li Yong, aged 42, joined the Group in 1995. Mr Dong has been an executive Director of the Company since 2001. While remaining as an executive Director, he also holds office of vice chairman of the Board and chief executive officer of the Company. He is primarily responsible for the overall business operations of the Group focusing on strategic planning, business development, investors' relationship as well as corporate finance. He graduated from the People's University of China, Beijing in 1995 with a bachelor degree in economics, majored in marketing. In May 2005, Mr Dong graduated from the Haas School of Business, University of California, Berkeley with a master degree in business administration. Mr Dong is a director of each of YDM, Yue Da Infrastructure Limited and eleven other subsidiaries of YDM incorporated in the BVI, all being direct/indirect subsidiaries of the Company. Mr Dong is also a former non-executive director of Xiangyu Dredging Holdings Limited (and he ceased to be such non-executive director from 25 April 2012), the shares of which are listed on the Main Board of the Stock Exchange.

Mr LIU Xiaoguang, aged 59, joined the Group as a non-executive Director in January 2007. He is a senior economist in the PRC. He graduated from Soochow University with a bachelor degree in jurisprudence. He has over 19 years' experience in corporate planning and management. In 1991, Mr Liu joined Jiangsu Yue Da Group Limited ("Jiangsu Yue Da") and had been an assistant to general manager, deputy general manager and chief secretary to the board of directors of Jiangsu Yue Da. Mr Liu is a director of Yue Da Group (H.K.) Co., Limited ("Yue Da HK"), a substantial shareholder of the Company and a wholly owned subsidiary of Jiangsu Yue Da.

Mr HU Huaimin, aged 39, joined the Group in January 2007 and is the executive vice president of the Company. His major job responsibilities include the operation and management of mining projects of the Group. Also, he is currently a director of each of Baoshan Feilong, Tengchong Ruitu, Yaoan Feilong, Daqian Mining, Tong Ling Guan Hua and Yuechuan JV, all of which are the subsidiaries of the Company. Mr Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 16 years of experience in the Chinese legal practice, corporate legal affairs, investment project operation and management.

NON-EXECUTIVE DIRECTORS

Mr CHEN Yunhua, aged 59, joined the Group in November 2009, is the chairman of the Board and is a senior economist in the PRC. He graduated from 鹽城師範專科學校 with post-secondary qualification, majoring in Chinese in 1977. He has over 30 years' experience in political and economics business management. Previously, Mr Chen assumed supervisory posts at the PRC bureau at Yancheng City, Jiangsu Province, the PRC. He is a deputy to the tenth Provincial People's Congress of Jiangsu, a deputy to the fourth Municipal People's Congress of Yancheng, the vice president of the sixth Municipal Committee of the Chinese People's Political Consultative Conference of Yancheng, a director of Yue Da HK and the chairman of the board of Jiangsu Yue Da.

Mr QI Guangya, aged 43, joined the Group as a non-executive Director since January 2007. He is a senior accountant and a certified public accountant in the PRC and a senior international finance manager certified by International Finance Management Association (國際財務管理協會). He graduated from Jiangsu Provincial Party Committee School (江蘇省委黨校) with a postgraduate degree. He has over 20 years' experience in financial management. In 1991, Mr Qi joined a subsidiary of Jiangsu Yue Da, and has been a director, chief accountant and deputy general manager of Jiangsu Yue Da.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr HAN Runsheng, aged 48, has been appointed as an independent non-executive Director of the Company in January 2007. He graduated from the Kunming University of Science and Technology with a doctoral degree in mineral resource prospecting and exploration (礦產普查與勘探) and completed the postdoctoral fellowship at the Institute of Geochemistry of the Chinese Academy of Sciences (中國科學院地球化學研究所). Mr Han was a researcher and tutor to doctoral degree candidates at the Kunming University of Science and Technology. Mr Han was also the head of Southwest Geology Survey Centre of the Institute of Mineral and Geology Survey of Nonferrous Metals (有色金屬礦產地質調查中心西南地質調查所所長) and a part-time professor at Southwest University of Science and Technology. In addition, Mr Han is currently the Cross-Century Young Academic and Technical Leader of the Yunnan Province (雲南省跨世紀中青年學術和技術帶頭人) and the State-level candidate of the project of "Hundreds, Thousands, and Ten Thousands of Talents for the New Century" (新世紀百千萬人才工程) of the Ministry of Education. Mr Han's major areas of research study are the research and teaching of the location forecasting of concealed ore-body, tectonic geochemistry, dynamic tectonic mineralization and mineral and geology survey.

Ms LEUNG Mei Han, aged 54, has been appointed as an independent non-executive Director of the Company since January 2007. She is a fellow member of CPA Australia. She graduated from the University of Queensland with a bachelor degree in commerce. Ms Leung is an executive director of AMCO United Holdings Limited, the shares of which are listed on the main board of the Stock Exchange. Ms Leung is the chairman and an executive director of Optima Capital Limited (a firm of corporate finance advisers and a licensed corporation under the Securities and Futures Ordinance ("SFO")). She has over 28 years' experience in accounting, securities, corporate finance and related areas. Ms Leung is also an independent non-executive director of Bossini International Holdings Limited, Four Seas Mercantile Holdings Limited and Xiangyu Dredging Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Mr CUI Shuming, aged 75, has been appointed as an independent non-executive Director of the Company since January 2007. He is a senior economist in the PRC and graduated from the People's University of China. He has over 40 years' experience in international finance and corporate planning and management. Mr Cui was deputy head of the Bank of China, Jiangsu Branch, and managing director of the National Commercial Bank Ltd. (浙江興業銀行) and the general manager of its Hong Kong branch. Mr Cui was a director and deputy chief executive officer of CITIC International Financial Holdings Limited, an independent non-executive director of Burwill Holdings Limited and China LotSynergy Holdings Limited, the shares of which are listed on the Main Board and the Growth Enterprise Market of the Stock Exchange respectively.

Dr LIU Yongping, aged 57, is a consultant of a firm of solicitors in Hong Kong. Dr Liu graduated from Renmin University of China (中國人民大學) in 1983 with a bachelor degree in law, and graduated from the University of London in 1987 with a master degree in law. In 1994, Dr Liu graduated from the University of Oxford with a doctor of philosophy. Previously, Dr Liu worked for the People's Government of Beijing. At present, Dr Liu is a practicing solicitor in Hong Kong. Dr Liu has profound knowledge in the laws of the PRC, Hong Kong and England. Since 1994, Dr Liu has embarked in areas on listing application for PRC based companies in Hong Kong and work on merger and acquisition. Dr Liu is acquainted with matters concerning the Listing Rules. Dr Liu is also an independent non-executive director of China Forestry Holdings Co. Limited, the shares of which are listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Dong Guang Yong, aged 48, joined the Group in November 2007 and is a vice president of the Company. He is primarily responsible for project development. He graduated from Huadong Polytechnic University with a master degree in engineering. He has over 10 years' of experience in project development and corporate management. He was a lecturer of Yancheng Normal College, Jiangsu Province, head of the development section of the management committee of the Jiangsu Yue Da Development Zone, deputy managing director of Yancheng Yue Da Real Estate Company Limited and deputy division head, division head and secretary to the board of Jiangsu Yue Da Investment Company Limited (江蘇悅達投資股份有限公司).

Mr. Bai Zhaoxiang, aged 50, joined the Group in August 2008 and is the financial controller and vice president of the Company. Mr Bai is a college graduate majoring in industrial accounting and a senior accountant in the PRC. Mr Bai is primarily responsible for accounting and financial matters. Mr Bai has over 30 years' of experience in accounting. Prior to joining the Company, Mr Bai has worked as a financial controller of a foreign-invested enterprise in the PRC for about 13 years.

Directors' Report

The Board of Directors presents the annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in (i) exploration, mining and processing of zinc, lead, iron and gold and trading of iron ore and related products; and (ii) management and operation of toll highway and bridge in the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated statement of comprehensive income on page 38 of this annual report.

An interim dividend of HK$0.01 per share was declared and paid during the Year, the Directors do not recommend the payment of a final dividend and propose that the profit for the year be retained.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 116 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB28,323,000 on property, plant and equipment.

Details of the above and other movements in the property, plant and equipment of the Group during the Year are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2012 are set out in Note 33 to the consolidated financial statements.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2012, which represent the share premium, contributed surplus and accumulated losses, were RMB815,738,000.

DIRECTORS

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

Executive Directors:

Mr. Dong Li Yong
Mr. Liu Xiaoguang
Mr. Hu Huaimin

Non-executive Directors:

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

Independent non-executive Directors:

Ms. Leung Mei Han
Mr. Cui Shu Ming
Mr. Han Run Sheng
Dr. Liu Yongping

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

CONFIRMATION BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

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

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

As at 31st December, 2012, the interests of each Director and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the Company/ associated corporation	Capacity	Number of ordinary shares *(note i)*	Approximate percentage of issued share capital of the Company *(note ii)*	Number of options granted and underlying shares
Dong Li Yong	The Company	Beneficial Owner	7,672,952 (L)	0.84%	372,338 *(note iii)*
	The Company	Beneficial Owner	—	—	1,117,014 *(note iv)*
	The Company	Beneficial Owner	—	—	1,273,440 *(note vi)*
	The Company	Beneficial Owner	—	—	955,080 *(note vii)*
	The Company	Beneficial Owner	—	—	955,080 *(note viii)*
Liu Xiaoguang	The Company	Beneficial Owner	3,136,476(L)	0.34%	372,338 *(note iii)*
	The Company	Beneficial Owner	—	—	372,338 *(note iv)*
	The Company	Beneficial Owner	—	—	636,720 *(note vi)*
	The Company	Beneficial Owner	—	—	477,540 *(note vii)*
	The Company	Beneficial Owner	—	—	477,540 *(note viii)*
Hu Huaimin	The Company	Beneficial Owner	3,901,536 (L)	0.43%	434,394 *(note iii)*
	The Company	Beneficial Owner	—	—	744,676 *(note iv)*
	The Company	Beneficial Owner	—	—	636,720 *(note vi)*
	The Company	Beneficial Owner	—	—	477,540 *(note vii)*
	The Company	Beneficial Owner	—	—	477,540 *(note viii)*
Qi Guangya	The Company	Beneficial Owner	2,018,116 (L)	0.22%	744,676 *(note iv)*
	The Company	Beneficial Owner	—	—	509,376 *(note vi)*
	The Company	Beneficial Owner	—	—	382,032 *(note vii)*
	The Company	Beneficial Owner	—	—	382,032 *(note viii)*
Chen Yunhua	The Company	Beneficial Owner	5,412,120 (L)	0.59%	1,591,800 *(note v)*
	The Company	Beneficial Owner	—	—	1,528,128 *(note vi)*
	The Company	Beneficial Owner	—	—	1,146,096 *(note vii)*
	The Company	Beneficial Owner	—	—	1,146,096 *(note viii)*

Notes:

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

ii. The percentage of issued share capital of the Company is calculated by reference to 915,691,876 shares in issue as at 31st December, 2012.

iii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 27th May, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 28th May, 2009 to 26th May, 2019. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

iv. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 9th July, 2009 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.854 per share during the period from 9th July, 2009 to 24th May, 2018. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

v. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Director on 19th April, 2010 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$1.617 per share during the period from 20th April, 2010 to 19th April, 2020. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

vi. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Directors on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2012 to 29th January, 2017. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

vii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Director on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2013 to 29th January, 2017. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

viii. These represent shares which would be allotted and issued upon the exercise in full of the options offered to the Director on 30th January, 2012 under the share option scheme of the Company. These options are exercisable at the subscription price of HK$0.5503 per share during the period from 1st April, 2014 to 29th January, 2017. The exercise price and the number of share options outstanding at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

Other than as disclosed above and in this annual report, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debenture of the Company or any of its associated corporations as at 31st December, 2012.

SHARE OPTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 9th June, 2011 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group . Under the Scheme, the Directors may, at their discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares in the Company:

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

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

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

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

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

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

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and

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

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time. Unless with prior approval from the Company's shareholders, the total number of shares in respect of which options might be granted at the same time under the Scheme and any other share option scheme of the Group was not permitted to exceed 10% of the shares of the Company in issue at the date of adoption of the Scheme (i.e. on 9th June, 2011, the 10% limit being 68,665,195 shares of the Company).

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

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

Further particulars of the Scheme are set out in Note 34 to the consolidated financial statements.

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

	Date of grant	Exercise price per share *HKD* *(Note)*	Exercisable period	Outstanding at 1st January, 2012	Granted during the year	Adjustment during the year *(Note)*	Lapsed during the year	Outstanding at 31st December, 2012
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,111,072	—	67,997	—	1,179,069
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,806,920	—	171,785	—	2,978,705
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,500,000	—	91,800	—	1,591,800
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	—	4,320,000	264,384	—	4,584,384
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	—	3,240,000	198,288	—	3,438,288
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	—	3,240,000	198,288	—	3,438,288
				5,417,992	10,800,000	992,542	—	17,210,534

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

	Date of grant	Exercise price per share HKD (Note)	Exercisable period	Outstanding at 1st January, 2012	Granted during the Year	Adjustment during the Year (Note)	Lapsed during the Year	Outstanding at 31st December, 2012
Employees	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	4,162,423	—	254,740	(1,638,288)	2,778,875
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	5,251,281	—	321,376	(881,201)	4,691,456
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	700,000	—	42,840	—	742,840
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	150,000	—	9,180	—	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	150,000	—	9,180	—	159,180
	16th December, 2010	1.2721	17th December, 2010 to 16th December, 2020	144,000	—	8,812	—	152,812
	16th December, 2010	1.2721	17th December, 2011 to 16th December, 2020	108,000	—	6,609	—	114,609
	16th December, 2010	1.2721	17th December, 2012 to 16th December, 2020	108,000	—	6,609	—	114,609
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	—	6,080,000	372,096	(212,240)	6,239,856
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	—	4,560,000	279,072	(159,180)	4,679,892
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	—	4,560,000	279,072	(159,180)	4,679,892
				10,773,704	15,200,000	1,589,586	(3,050,089)	24,513,201
Total				16,191,696	26,000,000	2,582,128	(3,050,089)	41,723,735
Exercisable at the end of the Year				15,933,696				25,487,375
Weighted average exercise price *(HKD)*				1.04				0.71

Note: The exercise price and number of share options outstanding as at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Company's Scheme disclosed above, at no time during the Year was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Further, save for the Scheme, the Group had not issued or granted any convertible securities, options, warrants or other similar rights during the year. As at 31 st December, 2012, the Group had no redeemable securities.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

The following are the continuing connected transactions that took place during the Year ended 31st December, 2012 and which were not exempted under Rule 14A.31, Rule 14A.33 or Rule 14A.65 of the Listing Rules.

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

On 27th August, 2010, the Company (as tenant) entered into the HK Office Tenancy Agreement with Yue Da HK (as landlord) for renting the Company's office in Hong Kong for a term of three years from 1st September, 2010 to 31st August, 2013. The rental payable to Yue Da HK is HK$200,000 per month (excluding rates, management fees and utility charges). Yue Da HK is a controlling shareholder of the Company and accordingly is a connected party. Further, the Company has also entered into two tenancy agreements with Yue Da HK and Yue Da Enterprise for staff quarter purpose, each for a term of three years from 1st January, 2010 to 31st December, 2012 and at a monthly rental of HK$25,000 and HK$20,000, respectively together with the HK Office Tenancy Agreement, collectively as the "Tenancy Agreements". Yue Da Enterprise is a fellow subsidiary of the Company and deemed to be a connected party. During the Year ended 31st December, 2012, the total rentals paid by the Company to Yue Da HK and Yue Da Enterprise are HK$2,700,000 (equivalent to RMB2,196,000) and HK$240,000 (equivalent to RMB195,000), respectively. These transactions constituted continuing connected transactions of the Company and are subject to announcement and reporting requirements under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated 27th August, 2010.

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

Details of the above continuing connected transactions and other discloseable connected transactions are set out in Note 43 to the consolidated financial statements.

On 21st March 2013, the Company entered into a new set of tenancy agreements with Yue Da HK and Yue Da Enterprise (as the case may be) to renew and supersede the relevant Tenancy Agreements. Please refer to the announcement of the Company dated 21st March 2013 for details.

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2012, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name	Name of the company/ associated corporation	Capacity	Number of issued ordinary shares held *(note i)*	Percentage of the issued share capital of the Company *(note ii)*
Yue Da HK	The Company	Beneficial owner	389,241,333 (L)	42.51%
Jiangsu Yue Da *(note iii)*	The Company	Interest of a controlled corporation	389,241,333 (L)	42.51%

Notes:

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

(ii) The percentage of issued share capital of the Company is calculated by reference to 915,691,876 shares in issue as at 31st December, 2012.

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

Other than as disclosed above, the Company has not been notified of any other persons who as at 31st December, 2012, had interests of 5% or more in any shares or underlying shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers during the year accounted for approximately 78% of the Group's total revenue and the largest customer accounted for approximately 27% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 47% of the Group's total purchases and the largest suppliers accounted for approximately 27% of the Group's total purchases.

The Directors, their associates and substantial shareholders of the Company did not have any interest in the suppliers or customers as disclosed above as at 31st December, 2012.

EMOLUMENT POLICY

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

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

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

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

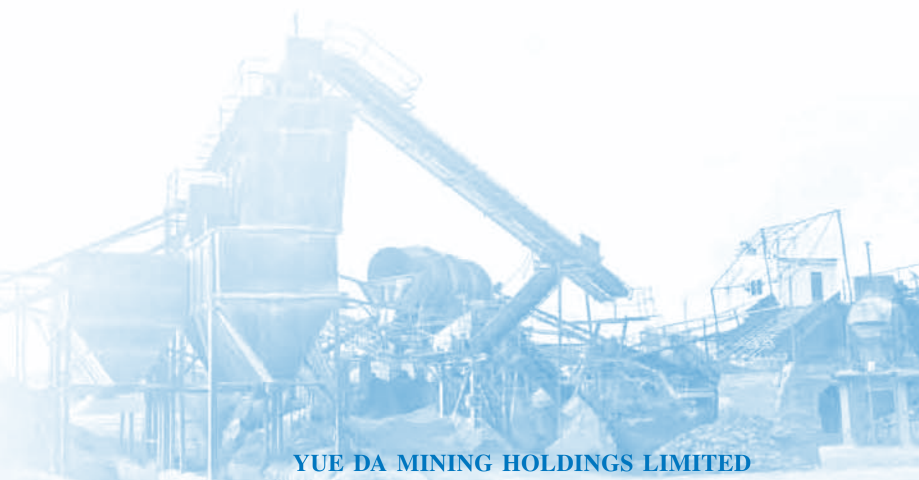
AUDITOR

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

On behalf of the Board

Chen Yunhua
CHAIRMAN

Hong Kong
27th March, 2013



Independent Auditor's Report

Deloitte.
德勤

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

We have audited the consolidated financial statements of Yue Da Mining Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 115, which comprise the consolidated statement of financial position as at 31st December, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2012, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27th March, 2013

Consolidated Statement of Comprehensive Income

For The Year Ended 31st December, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Revenue	5	**359,059**	416,795
Cost of sales		**(223,595)**	(251,152)
Direct operating costs		**(32,610)**	(34,498)
Gross profit		**102,854**	131,145
Other income		**3,761**	5,739
Other gains and losses	6	**(7,295)**	83,429
Impairment losses on assets	7	**(213,860)**	—
Impairment loss on available-for-sale investments	17	**(54,493)**	—
Administrative expenses		**(70,895)**	(77,661)
Finance costs	9	**(10,639)**	(24,540)
(Loss) profit before tax		**(250,567)**	118,112
Income tax credit (expense)	10	**17,923**	(17,488)
(Loss) profit and total comprehensive (expense) income for the year	11	**(232,644)**	100,624
(Loss) profit and total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(230,293)**	105,022
— Non-controlling interests		**(2,351)**	(4,398)
		(232,644)	100,624
(Loss) earnings per share	12		
— Basic		**(RMB26.24 cents)**	RMB15.30 cents
— Diluted		**N/A**	RMB15.27 cents

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Non-current Assets			
Property, plant and equipment	14	**126,620**	168,886
Prepaid lease payments	15	**10,054**	3,853
Mining rights	16	**956,533**	1,218,948
Available-for-sale investments	17	**15,964**	70,457
Goodwill	18	**—**	482
Other intangible assets	19	**345**	42,530
Long term deposits	20	**6,882**	6,159
Deposits paid for acquisition of property, plant and equipment and a land use right		**8,604**	—
Other receivables	22	**95,148**	—
		1,220,150	1,511,315
Current Assets			
Prepaid lease payments	15	**446**	238
Inventories	21	**35,671**	38,557
Trade and other receivables	22	**95,923**	185,113
Amounts due from related companies	23	**31,037**	30,058
Taxation receivable		**2,124**	—
Bank balances and cash	24	**191,527**	127,614
		356,728	381,580
Current Liabilities			
Trade and other payables	25	**64,242**	70,836
Amounts due to related companies	23	**40,709**	845
Amounts due to directors	26	**426**	365
Taxation payable		**18,972**	10,070
Promissory notes - due within one year	27	**—**	7,722
Bank borrowings - due within one year	28	**128,648**	206,232
Obligations under finance leases	29	**766**	2,437
		253,763	298,507
Net Current Assets		**102,965**	83,073
Total Assets Less Current Liabilities		**1,323,115**	1,594,388

Consolidated Statement of Financial Position

At 31st December, 2012

	NOTES	2012 RMB'000	2011 RMB'000
Capital and Reserves			
Share capital	33	**83,474**	64,874
Reserves		**811,207**	973,692
Equity attributable to owners of the Company		**894,681**	1,038,566
Non-controlling interests		**168,931**	195,338
Total equity		**1,063,612**	1,233,904
Non-current Liabilities			
Other payables	25	—	20,756
Obligations under finance leases	29	—	766
Provisions	30	**2,194**	261
Deferred tax liabilities	31	**257,309**	308,280
Deferred income	32	—	30,421
		259,503	360,484
		1,323,115	1,594,388

The consolidated financial statements on pages 38 to 115 were approved and authorised for issue by the board of directors on 27th March, 2013 and are signed on its behalf by:

Dong Li Yong
DIRECTOR

Liu Xiaoguang
DIRECTOR

Consolidated Statement of Changes in Equity

For The Year Ended 31st December, 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note i)	*(Note ii)*	*(Note iii)*		*(Note iv)*				
At 1st January, 2011	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 year	—	—	—	—	—	—	—	105,022	105,022	(4,398)	100,624
Deemed distribution to a shareholder from early repayment of promissory notes	—	—	—	—	(1,644)	—	—	—	(1,644)	—	(1,644)
Acquisition of additional interest in a non-wholly owned subsidiary *(Note 6(ii))*	—	—	—	—	—	—	5,908	—	5,908	(52,593)	(46,685)
Disposal of subsidiaries *(Note 37)*	—	—	—	—	—	—	—	—	—	(11,998)	(11,998)
Recognition of equity-settled share-based payments	—	—	—	—	—	355	—	—	355	—	355
Exercise of share options	101	1,269	—	—	—	(451)	—	—	919	—	919
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(7,418)	(7,418)
Transfer	—	—	1,444	—	—	—	—	(1,444)	—	—	—
At 31st December, 2011	64,874	831,346	31,018	157,178	21,717	18,550	(53,464)	(32,653)	1,038,566	195,338	1,233,904
Loss and total comprehensive expense for the year	—	—	—	—	—	—	—	(230,293)	(230,293)	(2,351)	(232,644)
Share issued	18,600	74,400	—	—	—	—	—	—	93,000	—	93,000
Forfeiture of share options	—	—	—	—	—	(2,100)	—	2,100	—	—	—
Transaction cost attributable to issue of shares	—	(2,283)	—	—	—	—	—	—	(2,283)	—	(2,283)
Recognition of equity-settled share-based payments	—	—	—	—	—	2,958	—	—	2,958	—	2,958
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(24,056)	(24,056)
Dividend recognised as distribution *(Note 13)*	—	—	—	—	—	—	—	(7,267)	(7,267)	—	(7,267)
Transfer	—	—	7,556	—	—	—	—	(7,556)	—	—	—
At 31st December, 2012	83,474	903,463	38,574	157,178	21,717	19,408	(53,464)	(275,669)	894,681	168,931	1,063,612

Consolidated Statement of Changes in Equity

For The Year Ended 31st December, 2012

Notes:

(i) The non-distributable reserves represent statutory reserves appropriated from the profit after tax of the Company's subsidiaries established in the People's Republic of China (the "PRC") under the PRC laws and regulations and capital deficit arising from capital injections by the Group into the Company's subsidiaries in the PRC in the form of foreign currencies.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries acquired pursuant to the group reorganisation in 2001 and the surplus arising on the capitalisation of an amount payable to a fellow subsidiary as part of the group reorganisation.

(iii) The capital contribution represents deemed contribution from (distribution to) the ultimate parent and a shareholder arising from:

(a) compensation in relation to the termination of the acquisition of Balin Zuo Qi Hong Ling Lead and Zinc Mine ("Hong Ling") paid on behalf of the Group without any consideration by Yue Da Enterprise (Group) HK Co., Ltd. ("Yue Da Enterprise"), which is a fellow subsidiary of the Company and a related party as it is a subsidiary of Jiangsu Yue Da Group Company Limited ("Jiangsu Yue Da"). 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;

(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 year ended 31st December, 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.

(iv) The other reserve represents the difference between the fair value and the book value of the mining rights attributable to additional interests acquired in 2007 and the difference between amount of non-controlling interests acquired and the fair value of consideration paid during the year ended 31st December, 2011.

Consolidated Statement of Cash Flows

For The Year Ended 31st December, 2012

	2012	2011
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
(Loss) profit before tax	**(250,567)**	118,112
Adjustments for:		
Amortisation of mining rights	**51,267**	38,411
Finance costs	**10,639**	24,540
Depreciation of property, plant and equipment	**30,776**	39,374
Amortisation of other intangible assets	**21,408**	21,408
Share-based payment expenses	**2,958**	355
Release of prepaid lease payments	**1,591**	140
Impairment losses on assets	**213,860**	—
Impairment loss on available-for-sale investments	**54,493**	—
Loss upon extension of repayment terms of other receivables	**20,331**	—
Loss on disposal of property, plant and equipment	**7,304**	5,732
Fair value gain on contingent consideration	**(20,731)**	(74,182)
Loss arising on early repayment of promissory notes	**50**	1,873
Net loss arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries	**—**	5,024
Gain on disposal of subsidiaries	**—**	(8,930)
Gain from change in fair value of financial asset designated as at fair value through profit or loss	**—**	(641)
Interest income	**(2,409)**	(3,775)
Imputed interest income on amount due from Disposal Group	**(1,026)**	—
Imputed interest income on deferred income	**—**	(1,855)
Provisions for restoration, rehabilitation and environmental costs	**1,911**	—
Operating cash flows before movements in working capital	**141,855**	165,586
Increase in long term deposits	**(723)**	(2,378)
Decrease (increase) in inventories	**2,886**	(7,599)
Increase in trade and other receivables	**(37,811)**	(3,744)
Decrease (increase) in amounts due from related companies	**852**	(2,081)
(Decrease) increase in trade and other payables	**(14,897)**	30,810
Cash generated from operations	**92,162**	180,594
Income tax paid	**(26,270)**	(15,155)
NET CASH FROM OPERATING ACTIVITIES	**65,892**	165,439

Consolidated Statement of Cash Flows

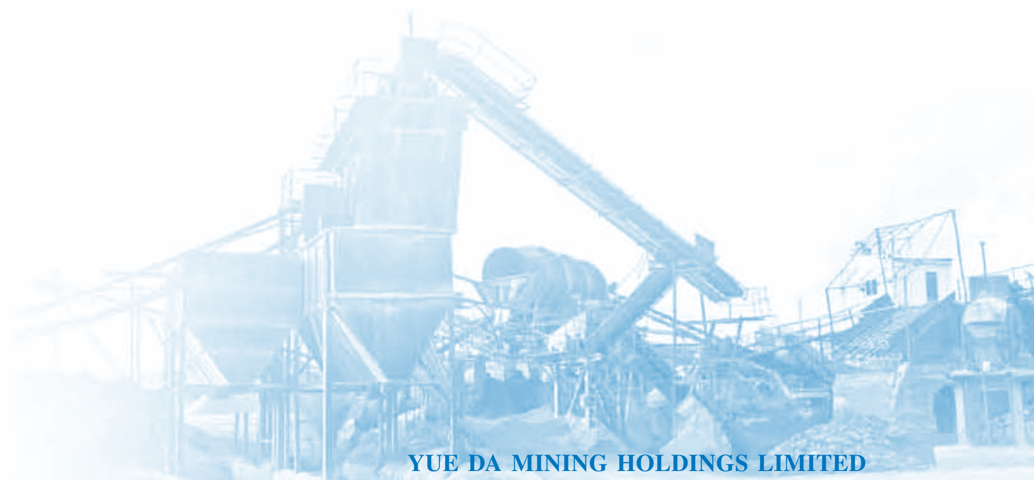
For The Year Ended 31st December, 2012

	NOTE	2012 RMB'000	2011 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(28,323)**	(40,796)
Repayment from related companies		**—**	4,415
Advance to related companies		**(1,831)**	—
Repayment of consideration payable for acquisition of subsidiaries		**—**	(61,535)
Deposits paid for acquisition of property, plant and equipment and a land use right		**(8,604)**	—
Receipt on deferred consideration arising from disposal of subsidiaries in prior year		**13,144**	—
Interest received		**2,409**	3,775
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	37	**—**	24,224
Proceeds from disposal of property, plant and equipment		**182**	8,390
Addition of prepaid lease payments		**—**	(1,519)
NET CASH USED IN INVESTING ACTIVITIES		**(23,023)**	(63,046)
FINANCING ACTIVITIES			
Proceeds on open offer of new shares		**93,000**	—
Proceeds from issue of shares upon exercise of share options		**—**	919
Bank borrowings raised		**80,000**	137,550
Repayment of bank borrowings		**(157,835)**	(269,172)
Repayment of promissory notes		**(8,155)**	(16,674)
Repayment to related companies		**(25,978)**	(26,333)
Advance from related companies		**86,084**	845
Interest paid		**(10,103)**	(13,760)
Acquisition of additional interest in a non-wholly owned subsidiary		**—**	(22,440)
Dividend paid to non-controlling shareholders of subsidiaries		**(24,056)**	(7,418)
Dividend paid		**(7,267)**	—
Transaction cost attributable to issue of shares		**(2,283)**	—
Repayment under finance leases		**(2,615)**	(3,794)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**20,792**	(220,277)

Consolidated Statement of Cash Flows

For The Year Ended 31st December, 2012

	2012 *RMB'000*	2011 *RMB'000*
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**63,661**	(117,884)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**127,614**	253,741
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**252**	(8,243)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**191,527**	127,614



1. GENERAL

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKAS 12	Deferred tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets.

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - CONTINUED

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1st January, 2013.
2 Effective for annual periods beginning on or after 1st January, 2014.
3 Effective for annual periods beginning on or after 1st January, 2015.
4 Effective for annual periods beginning on or after 1st July, 2012.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - CONTINUED

HKFRS 9 "Financial Instruments" - continued

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2015, with earlier application permitted.

The directors anticipate that the adoption of HKFRS 9 in the future will have impact on the classification and measurement in respect of the Group's available-for-sale investments but not on the Group's other financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income'. In addition, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1st July, 2012 and will be applied by the Group for annual periods beginning on or after 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of consolidation - continued

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Business combinations - continued

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment - continued

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining rights

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

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the acquisition.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Other intangible assets

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials, and where applicable, direct labour cost and those overheads that have been incurred in bringing the inventories to their present location and condition. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as financial assets at FVTPL, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Financial assets - continued

Financial assets at FVTPL

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Financial assets - continued

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in the subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial instruments - continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities (including trade and other payables, amounts due to a related companies/directors, obligations under finance leases, promissory notes and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Provisions

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

Government grants

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue recognition

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

Toll revenue is recognised on receipt.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measures reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Retirement benefit costs

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leasing - continued

Leasehold land and building

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

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

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

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

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

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

Borrowing costs

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Foreign currencies

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimated impairment of property, plant and equipment, mining rights, goodwill and other intangible assets

Determining whether an impairment loss is required requires an estimate of the recoverable amount of relevant assets or the CGU to which the asset belongs. In determining the amount of an impairment loss, the management compares the fair value less costs to sell of the relevant assets/CGUs with their value in use and concludes that the value in use is higher. In determining the value in use, the Group estimated the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. As at 31st December, 2012, the carrying amounts of property, plant and equipment, mining rights, goodwill and other intangible assets were RMB126,620,000 (2011: RMB168,886,000), RMB956,533,000 (2011: RMB1,218,948,000), nil (2011: RMB482,000) and RMB345,000 (2011: RMB42,530,000) respectively. Details of the recoverable amount calculation for the CGUs are set out in notes 16, 18 and 19. During the year ended 31st December, 2012, impairment losses of RMB32,327,000, RMB160,274,000, RMB482,000 and RMB20,777,000 were recognised for property, plant and equipment, mining rights, goodwill and other intangible assets respectively.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - CONTINUED

Estimated impairment of available-for-sale investments

The Group held certain unlisted equity securities classified as available-for-sale investments as at 31 December, 2012 (see note 17). An objective evidence of impairment was noted during the year and the Group has performed an impairment assessment. During the year, the Group recognised an impairment of HK$54,493,000 which is based on the present value of the estimated future cash flows expected to be generated by the investee. Details of the impairment assessment are set out in note 17. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of available-for-sales investments was RMB15,964,000 (2011: RMB70,457,000).

Useful lives of mining rights

The Group's management determines the estimated useful lives of 13 to 25 years (2011: 13 to 25 years) for its mining rights based on the proven and probable reserves. However, the mining rights were granted for terms of one to eight years (2011: five to eight years). The directors are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

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

As at 31st December, 2012, the carrying amount of mining right was RMB956,533,000 (2011: RMB1,218,948,000).

Allowances for bad and doubtful debts

When there is objective evidence that loans and receivables may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amounts of trade receivables, deferred consideration receivables, amount due from disposal Group (as defined in Note 37) and amounts due from related companies were RMB59,699,000 (2011: RMB9,372,000), RMB53,406,000 (2011: RMB66,550,000), RMB41,742,000 (2011: RMB61,962,000) and RMB31,037,000 (2011: RMB30,058,000) respectively with no allowance for bad and doubtful debts.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY - CONTINUED

Fair value of contingent consideration arising from business combination

Contingent consideration arising from business combination as described in note 6 is valued using a discounted cash flow model, based on the estimated compensation to be received by the Group, discounted using the applicable prevailing market rate. The estimation of the compensation is based on i) the estimated profits of Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua") attributable to the Group; ii) weighted average unit selling price of gold; and iii) the quantity of gold produced by Tong Ling Guan Hua.

The estimation of compensation involves assumptions, such as selling quantity, market prices of minerals and the unit of production of Tong Ling Guan Hua. Should there be significant changes in these assumptions, the fair value of contingent consideration arising from business combination will change from period to period. As at 31st December, 2012 and 2011, the fair value of contingent consideration for the remaining periods is estimated to be insignificant. During the year ended 31st December, 2012, a fair value gain on contingent consideration of RMB20,731,000 (2011: RMB74,182,000) was recognised in the consolidated statement of comprehensive income due to the unexpected events as disclosed in Note 6.

5. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2012 ***RMB'000***	2011 *RMB'000*
Sale of zinc, lead and iron ore concentrates	**173,952**	339,975
Sale of compound gold	**163,760**	46,669
Toll revenue	**21,347**	30,151
	359,059	416,795

5. REVENUE AND SEGMENT INFORMATION - CONTINUED

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")

Segment revenues and results

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

For the year ended 31st December, 2012

	Mining & Mineral Trading Operations *RMB'000*	Toll road Operations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE			
External sales	**337,712**	**21,347**	**359,059**
SEGMENT RESULTS			
Segment loss	**(123,361)**	**(40,229)**	**(163,590)**
Other income			**3,761**
Other gains and losses			
— Fair value gain on contingent consideration			**20,731**
— Net foreign exchange loss			**(341)**
— Loss upon extension of repayment terms on other receivables			**(20,331)**
— Loss arising on early repayment of promissory notes			**(50)**
Impairment loss on available-for-sale investments			**(54,493)**
Central administration costs			**(25,615)**
Finance costs			**(10,639)**
Loss before tax			**(250,567)**

5. REVENUE AND SEGMENT INFORMATION - CONTINUED

Segment information - continued

Segment revenues and results - continued

For the year ended 31st December, 2011

	Mining & Mineral Trading Operations *RMB'000*	Toll road Operations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE			
External sales	386,644	30,151	416,795
SEGMENT RESULTS			
Segment profit (loss)	81,200	(11,169)	70,031
Other income			5,739
Other gains and losses			
— Fair value gain on contingent consideration			74,182
— Net foreign exchange gains			12,305
— Gain from change in fair value of financial asset designated as at FVTPL			641
— Loss arising on early repayment of consideration payable for acquisition of subsidiaries			(5,024)
— Loss arising on early repayment of promissory notes			(1,873)
— Gain on disposal of subsidiaries			8,930
Central administration costs			(22,279)
Finance costs			(24,540)
Profit before tax			118,112

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of other income, other gains and losses as described above, impairment loss on available-for-sale investments, central administration costs and finance costs. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

5. REVENUE AND SEGMENT INFORMATION - CONTINUED

Segment information - continued

Other segment information

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

For the year ended 31st December, 2012

	Mining & Mineral Trading Operations *RMB'000*	Toll Road Operations *RMB'000*	Segment Total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation and amortisation	82,581	22,141	104,722	320	105,042
Impairment losses on:					
— mining rights	160,274	—	160,274	—	160,274
— property, plant and equipment	31,401	926	32,327	—	32,327
— other intangible assets	—	20,777	20,777	—	20,777
— goodwill	—	482	482	—	482

For the year ended 31st December, 2011

	Mining & Mineral Trading Operations *RMB'000*	Toll Road Operations *RMB'000*	Segment Total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Depreciation and amortisation	77,097	22,203	99,300	33	99,333

Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. More than 99% (2011: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

5. REVENUE AND SEGMENT INFORMATION - CONTINUED

Segment information - continued

Information about major customers

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

	2012 ***RMB'000***	2011 *RMB'000*
Customer A *(Note i)*	**97,314**	(Note ii)
Customer B *(Note i)*	**74,787**	60,570
Customer C *(Note i)*	**66,446**	(Note ii)
Customer D *(Note i)*	**(Note ii)**	76,531
Customer E *(Note i)*	**(Note ii)**	51,141
Customer F *(Note i)*	**(Note ii)**	43,693

Notes:

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

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

6. OTHER GAINS AND LOSSES

	2012 ***RMB'000***	2011 *RMB'000*
Fair value gain on contingent consideration *(Note i)*	**20,731**	74,182
Loss arising on early repayment of promissory notes	**(50)**	(1,873)
Net loss arising on early repayment and repayment extension of consideration payable for acquisition of subsidiaries	**—**	(5,024)
Gain on change in fair value of financial asset designated as at FVTPL *(Note ii)*	**—**	641
Loss on disposal of property, plant and equipment	**(7,304)**	(5,732)
Loss upon extension of repayment terms of other receivables *(Note 22)*	**(20,331)**	—
Gain on disposal of subsidiaries *(Note 37)*	**—**	8,930
Net foreign exchange (loss) gains	**(341)**	12,305
	(7,295)	83,429

6. OTHER GAINS AND LOSSES - CONTINUED

Notes:

(i) 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, from Bright Harvest Holdings Limited ("Bright Harvest"), an independent third party (the "Acquisition"). Absolute Apex Limited owned the entire equity interest in Ample Source Investment Limited, which owned 70% equity interest in Tong Ling Guan Hua, which are engaging 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 up to 30th June, 2013. The amount represented the change on 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 1st January, 2012 to 31st December, 2012 (2011: 1st July, 2010 to 31st December, 2011. The shortfall for the year ended 31st December, 2012 was mainly due to the temporary postponement of the production plan in second half of 2012 with the reform of certain production plants while the shortfall for the year ended 31st December, 2011 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 and from July 2011 to August 2011. As a result, a fair value gain on contingent consideration of RMB20,731,000 was recognised in the consolidated statement of comprehensive income for the year ended 31st December, 2012 (2011: RMB74,182,000). The management expected the amount of RMB20,731,000 will be settled by cash within one year from the end of the reporting peirod. During the year ended 31st December 2011, the contingent consideration of RMB74,182,000 was settled by an offset against the promissory note issued to Bright Harvest in prior year as part of the consideration for the Acquisition (Note 27). In the absence of any further unanticipated temporary suspension and no further postponement of production plan 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 period up to 30th June, 2013 is estimated to be insignificant as at the end of the reporting period.

6. OTHER GAINS AND LOSSES - CONTINUED

Notes: - continued

(ii) 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 loan from an independent third party, Feilong Holdings Limited which is beneficially owned by Mr. Yang Long at a cash consideration of RMB22,440,000. 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 Right was derecognised accordingly. The fair value of the Right immediately before the date of acquisition of Moral Well was RMB 24,245,000. The increase in fair value of the financial asset of RMB641,000 had been credited to profit or loss during the year ended 31st December, 2011. The difference of RMB5,908,000 between the carrying amount of non-controlling interests acquired and the fair value of the total consideration transferred had been credited to other reserve at the date of acquisition.

7. IMPAIRMENT LOSSES ON ASSETS

	2012 ***RMB'000***	2011 *RMB'000*
Impairment losses on:		
— mining rights *(Note 16)*	**160,274**	—
— property, plant and equipment *(Note 14)*	**32,327**	—
— other intangible assets *(Note 19)*	**20,777**	—
— goodwill *(Note 18)*	**482**	—
	213,860	—

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION

The emoluments paid or payable to each of the nine (2011: nine) directors and the chief executive were as follows:

2012

	Executive directors			Non-executive directors						
	Mr. Dong Li Yong *RMB'000* *(Note ii)*	Mr. Liu Xiaoguang *RMB'000*	Mr. Hu Huaimin *RMB'000* *(Note i)*	Mr. Chen Yunhua *RMB'000*	Mr. Qi Guangya *RMB'000*	Ms. Leung Mei Han *RMB'000*	Mr. Cui Shu Ming *RMB'000*	Mr. Han Run Sheng *RMB'000*	Dr. Liu Yong Ping *RMB'000*	Total *RMB'000*
Fees	—	—	—	—	—	203	203	122	203	731
Other emoluments										
Salaries and other benefits	1,392	243	555	—	—	—	—	—	—	2,190
Discretionary bonus *(Note iii)*	583	—	325	—	—	—	—	—	—	908
Contributions to retirement benefits schemes	169	—	27	—	—	—	—	—	—	196
Share-based payments	331	166	166	398	132	—	—	—	—	1,193
Total emoluments	2,475	409	1,073	398	132	203	203	122	203	5,218

2011

	Executive directors			Non-executive directors						
	Mr. Dong Li Yong *RMB'000* *(Note ii)*	Mr. Liu Xiaoguang *RMB'000*	Mr. Hu Huaimin *RMB'000* *(Note i)*	Mr. Chen Yunhua *RMB'000*	Mr. Qi Guangya *RMB'000*	Ms. Leung Mei Han *RMB'000*	Mr. Cui Shu Ming *RMB'000*	Mr. Han Run Sheng *RMB'000*	Dr. Liu Yong Ping *RMB'000*	Total *RMB'000*
Fees	—	—	—	—	—	206	206	124	165	701
Other emoluments										
Salaries and other benefits	1,235	—	353	—	—	—	—	—	—	1,588
Discretionary bonus *(Note iii)*	285	—	106	—	—	—	—	—	—	391
Contributions to retirement benefits schemes	142	—	26	—	—	—	—	—	—	168
Total emoluments	1,662	—	485	—	—	206	206	124	165	2,848

8. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION - CONTINUED

Notes:

(i) This director was appointed on 31st August, 2011.

(ii) This director is the chief executive of the Group for the year ended 31st December, 2012 and 2011.

(iii) Discretionary bonus was determined by the remuneration committee having regard to the performance of directors and the Group's operating result.

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors and chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2011: three) individuals as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries and other benefits	**1,512**	1,469
Bonus	**471**	244
Contributions to retirement benefits schemes	**96**	133
Share-based payments	**303**	104
	2,382	1,950

Their emoluments were within the following bands:

	2012 **Number of employees**	2011 Number of employees
Nil to HKD1,000,000	**2**	2
HKD1,000,001 to HKD1,500,000	**1**	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors, chief executive and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors waived any emoluments in the year ended 31st December, 2012 (2011: nil).

9. FINANCE COSTS

	2012 RMB'000	2011 RMB'000
Interest on bank borrowings wholly repayable within five years	**8,356**	11,367
Effective interest on promissory notes	**336**	5,185
Effective interest on finance leases	**178**	340
Imputed interest on:		
— non-current interest-free amount due to a related company	**—**	1,135
— consideration payable for acquisition of subsidiaries	**—**	2,244
— other payables *(Note 25)*	**—**	1,855
— provisions *(Note 30)*	**22**	21
Bank loan arrangement fees	**1,747**	2,393
	10,639	24,540

10. INCOME TAX (CREDIT) EXPENSE

	2012 RMB'000	2011 RMB'000
PRC Enterprise Income Tax		
— current year	**33,498**	15,581
— (Over)underprovision in prior years	**(450)**	302
	33,048	15,883
Deferred tax *(Note 31)*		
— current year	**(50,971)**	1,605
	(17,923)	17,488

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

Under the Law of PRC on Enterprise Income Tax (the "EIT" Law) and the Implementation Regulation of the EIT Law, the applicable income tax rate for the PRC subsidiaries of the Group is 25% from 1st January, 2008 onwards.

10. INCOME TAX (CREDIT) EXPENSE - CONTINUED

Certain PRC mining subsidiaries are entitled to (i) the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC (subject to confirmation by competent tax authorities) and (ii) an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax deduction in the three years thereafter. The applicable tax rates of those PRC mining subsidiaries ranged from 15% to 25% for the year ended 31st December, 2012 (2011: 7.5% to 25%). For a PRC mining subsidiary with the applicable tax rate of 15% for the year ended 31st December, 2012, the application of preferential tax rate at 15% is in the progress.

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

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

	2012 ***RMB'000***	2011 *RMB'000*
(Loss) profit before tax	**(250,567)**	118,112
Tax at the domestic income tax rate of 15% (2011: 15%) *(Note)*	**(37,585)**	17,717
Tax effect of expenses not deductible for tax purpose	**16,204**	4,417
Effect of tax reduction/exemption granted to PRC subsidiaries	**—**	(6,998)
Tax effect of income not taxable for tax purpose	**(4,138)**	(15,867)
(Over)underprovision in prior years	**(450)**	302
Tax effect of tax losses not recognised	**4,758**	4,427
Utilisation of tax losses previously recognised	**—**	(24)
Deferred tax provided on dividends withholding tax on PRC subsidiaries	**4,369**	6,085
Effect of different tax rates of subsidiaries	**(1,081)**	7,429
Income tax (credit) expense	**(17,923)**	17,488

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

11. (LOSS) PROFIT AND TOTAL COMPREHENSIVE (EXPENSE) INCOME FOR THE YEAR

	2012 *RMB'000*	2011 *RMB'000*
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (included in cost of sales)	**51,267**	38,411
Amortisation of other intangible assets (included in direct operating costs)	**21,408**	21,408
Depreciation of property, plant and equipment	**30,776**	39,374
Release of prepaid lease payments	**1,591**	140
Auditors' remuneration	**2,108**	2,078
Cost of inventories sold	**172,328**	212,741
Employee benefit expense, including directors' remuneration (Note 8) and share-based payment expense *(Note 34)*	**65,924**	67,449
Interest income from bank deposits	**(2,409)**	(3,775)
Imputed interest income on amount due from Disposal Group *(Note 32)*	**(1,026)**	—
Imputed interest income on deferred income *(Note 32)*	**—**	(1,855)

12. (LOSS) EARNINGS PER SHARE

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

	2012 *RMB'000*	2011 *RMB'000*
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company and (loss) profit for the purposes of basic and diluted (loss) earnings per share	**(230,293)**	105,022

	2012	2011 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share *(Note)*	**877,716,754**	710,810,093
Effect of dilutive potential ordinary shares — share options	**—**	1,447,086
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**877,716,754**	712,257,179

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

No diluted loss per share for the year ended 31st December, 2012 is presented as the exercise of the dilutive potential ordinary shares would result in reduction in loss per share.

13. DIVIDEND

Dividend recognised as distribution during the year:

	2012 *RMB'000*	2011 *RMB'000*
2012 Interim - HK1 cent per share (2011: nil)	**7,267**	—

No final dividend has been proposed by the directors for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvement RMB'000	Mining shafts RMB'000	Plant and machinery RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST								
At 1st January, 2011	47,675	28,045	88,713	101,988	11,580	11,032	38,604	327,637
Additions	200	501	7,393	11,433	1,069	1,810	25,047	47,453
Disposed upon disposal of subsidiaries *(Note 37)*	(1,224)	(7,700)	(16,022)	(36,094)	(153)	(1,605)	—	(62,798)
Disposals	(6,325)	(3,086)	(4,436)	(3,967)	(738)	—	—	(18,552)
Transfer	17,773	2,606	—	4,399	—	—	(24,778)	—
At 31st December, 2011	58,099	20,366	75,648	77,759	11,758	11,237	38,873	293,740
Additions	1,243	177	12,616	4,173	916	1,279	7,919	28,323
Disposals	(3,918)	—	(10,407)	(1,625)	(266)	(928)	—	(17,144)
Transfer	5,589	—	—	737	—	—	(6,326)	—
At 31st December, 2012	61,013	20,543	77,857	81,044	12,408	11,588	40,466	304,919
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2011	15,652	5,028	35,043	41,587	9,793	6,463	11,401	124,967
Charge for the year	3,968	1,560	18,355	12,416	1,450	1,625	—	39,374
Eliminated on disposals	(1,563)	(776)	(655)	(802)	(634)	—	—	(4,430)
Eliminated upon disposal of subsidiaries *(Note 37)*	(402)	(2,108)	(14,113)	(16,977)	(93)	(1,364)	—	(35,057)
At 31st December, 2011	17,655	3,704	38,630	36,224	10,516	6,724	11,401	124,854
Charge for the year	4,400	1,058	14,174	8,458	1,324	1,362	—	30,776
Impairment loss recognised in profit or loss *(Note 7)*	9,344	1,313	10,323	7,649	257	—	3,441	32,327
Eliminated on disposals	(1,633)	—	(6,240)	(724)	(240)	(821)	—	(9,658)
At 31st December, 2012	29,766	6,075	56,887	51,607	11,857	7,265	14,842	178,299
CARRYING VALUES								
At 31st December, 2012	31,247	14,468	20,970	29,437	551	4,323	25,624	126,620
At 31st December, 2011	40,444	16,662	37,018	41,535	1,242	4,513	27,472	168,886

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

14. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

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

Buildings	Over the shorter of 20 years or remaining terms of the lease
Leasehold improvement	Over the shorter of 20 years or remaining terms of the lease
Mining shafts	5 years
Plant and machinery	5 - 10 years
Furniture, fixtures and equipment	5 years
Motor vehicles	5 years

The Group had not obtained formal title of ownership in respect of certain buildings of the Group in the PRC with the carrying value of RMB25,009,000 as at 31st December, 2012 (2011: RMB33,833,000). In the opinion of directors, the absence of formal title does not impair the value of the relevant buildings. The directors also believe that formal title of these buildings will be granted to the Group in due course.

During the year ended 31st December, 2012, an impairment loss amounting to RMB32,327,000 was recognised. Impairment assessment is set out in notes 16 and 19.

The carrying value of property, plant and equipment in respect of assets held under finance leases was RMB4,632,000 (2011: RMB5,897,000).

15. PREPAID LEASE PAYMENTS

	2012	2011
	RMB'000	*RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**10,500**	4,091
Analysed for reporting purposes as:		
Current assets	**446**	238
Non-current assets	**10,054**	3,853
	10,500	4,091

As at 31st December, 2012, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB7,003,000 (2011: RMB444,000). In the opinion of directors, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors also believe that formal title of these land use rights will be granted to the Group in due course.

16. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2011	1,838,259
Disposed of upon disposal of subsidiaries *(Note 37)*	(283,018)
At 31st December, 2011	1,555,241
Released upon the change of mining fee payable *(Note 25)*	(50,874)
At 31st December, 2012	1,504,367
AMORTISATION AND IMPAIRMENT	
At 1st January, 2011	330,956
Charge for the year	38,411
Disposed of upon disposal of subsidiaries *(Note 37)*	(33,074)
At 31st December, 2011	336,293
Charge for the year	51,267
Impairment loss recognised in the year *(Note 7)*	160,274
At 31st December, 2012	547,834
CARRYING VALUES	
At 31st December, 2012	956,533
At 31st December, 2011	1,218,948

The mining rights represent the rights to conduct mining activities for zinc, lead, iron and gold in various locations in the PRC, and have legal lives of one to eight years (2011: five to eight years). The Group's mining rights are expiring in the period from June 2013 to December 2014. In the opinion of the directors, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

The mining rights are amortised by 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.

16. MINING RIGHTS - CONTINUED

During the year ended 31st December, 2012, due to (i) continuous decline in market price of zinc and lead; (ii) tight of safety and environmental requirements introduced by the PRC government on mining industry; and (iii) an increase in raw material prices and production cost, which results in significant operating losses incurred by certain subsidiaries which are engaging in mining and processing of zinc and lead and located in Yunnan Province and Shaanxi Province of the PRC, the management conducted an impairment review on the CGUs to which the related assets belong. Management considered each subsidiary represents a separate CGU for the purpose of impairment testing. The carrying amounts of mining rights and production assets as at 31st December, 2012 before the impairment loss recognised as described below are allocated as follows:

	Mining rights *RMB'000*	**Production assets** *RMB'000*
Subsidiaries engaged in mining and processing of zinc and lead:		
Baoshan Feilong	488,180	80,002
Yaoan Feilong	15,901	50,618
Daqian Mining	128,224	4,749

For the purpose of the impairment testing, the management compared the value in use of the relevant CGUs with the fair value less cost to sell of the CGU and concluded that the value in use is higher than the fair value less costs to sell. Value in use calculations are based on estimated cash flow projections prepared from financial forecasts approved by the directors that reflect cash flows to be generated from the use of the mining rights which represented the net cash flows of (i) the revenue from the sales of the mineral concentrates from the production of the estimated minerals as extracted from the mines of each CGUs and (ii) the estimated cost of the production of the mineral concentrates, at discount rates with a range of 20.25% to 24.25%. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include production rate and gross margin. Based on the assumptions applied, the carrying amounts of the relevant CGUs are significantly above its mining rights and production assets as at 31st December, 2012 and hence impairment losses of RMB160,274,000 and RMB31,401,000 have been recognised on mining rights and production assets included in the Group's property, plant and equipment respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the material change of the recoverable amounts of the relevant CGUs.

17. AVAILABLE-FOR-SALE INVESTMENTS

	2012 RMB'000	2011 RMB'000
Unlisted equity securities:		
At cost	**70,457**	70,457
Less: impairment	**(54,493)**	—
	15,964	70,457

The amount represents 49% of the equity interest of the Disposal Group (as defined in Note 37) retained by the Group after the disposal as disclosed in Note 37 and is measured at fair value at initial recognition. Since the Disposal Group does not have a quoted market price in an active market, in the opinion of the directors, the fair values of these unlisted equity securities cannot be measured reliably subsequent to initial recognition and are measured at cost less any identified impairment losses.

Certain group entities of the Disposal Group are the holders of certain exploration and mining licenses in respect of certain mines located at Wengniuteqi, Chifeng City, Inner Mongolia, the PRC. The predominant minerals in the mines are lead and zinc. The Disposal Group is principally engaged in the exploration, mining and processing of lead ore and zinc ore extracted from these mines. During the year ended 31st December, 2012, an objective evidence of impairment was considered to exist due to (i) the continuous decline of the market price of minerals in the second half of 2012; (ii) tight of safety and environmental requirements introduced by the PRC government on mining industry; (iii) an increase in raw material prices and production costs; and (iv) the deferral of the production schedule of the Disposal Group, which results in operating losses incurred by the Disposal Group.

The major assets and liabilities of the Disposal Group are certain mining rights as described above and the shareholders' loans as described in notes 22 and 37. The directors of the Company performed an impairment assessment during the current year and determined the impairment loss based on the present value of the estimated future cash flows expected to be generated by the investee which represented the net cash flows of (i) the revenue from the sales of the mineral concentrates from the production of the estimated minerals as extracted from the mines of each CGUs and (ii) the estimated cost of the production of the mineral concentrates. Other key assumptions for the calculation related to the estimation of cash inflows/outflows which include production rate and gross margin.

In the opinion of the directors, with the decline in the estimated economic benefits to be generated from the Disposal Group, the Group recognised an impairment loss on the available-for-sale investments by RMB54,493,000 during the year ended 31st December, 2012.

18. GOODWILL

	RMB'000
COST	
At 1st January, 2011, 31st December, 2011 and 2012	10,533
IMPAIRMENT	
At 1st January, 2011, 31st December, 2011	10,051
Impairment loss recognised in the year *(Note 7)*	482
	10,533
CARRYING VALUES	
At 31st December, 2012	—
At 31st December, 2011	482

For the purpose of impairment testing, the recoverable amount of the CGU relating to the goodwill attributable to the Toll Road Operation has been determined based on a value in use calculation. During the year ended 31st December, 2012, management of the Group has determined that there is an impairment of RMB482,000 the CGU containing goodwill (2011: nil).

Details of impairment assessment are set out in note 19.

19. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At 1st January, 2011, 31st December, 2011 and 2012	247,798
AMORTISATION	
At 1st January, 2011	183,860
Provided for the year	21,408
At 31st December, 2011	205,268
Provided for the year	21,408
Impairment loss recognised in the year *(Note 7)*	20,777
At 31st December, 2012	247,453
CARRYING VALUES	
At 31st December, 2012	345
At 31st December, 2011	42,530

19. OTHER INTANGIBLE ASSETS – CONTINUED

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

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. During the year ended 31st December, 2012, the Group has had negotiated with the relevant government authorities to extend the operating period but the year of extension is still subject to the approval of the relevant government authorities. However, in the opinion of the directors, having considered the uncertainty on the year of extension to be granted by the relevant government authorities after the long negotiation and the significant decrease in operating revenue in recent years, there is a significant uncertainty of the future benefit expected to be generated from the operation of National Highway 106.

During the year ended 31st December, 2012, with the reasons as set out above, the management conducted an impairment review of the CGU in Toll Road Operation, which comprises goodwill, other intangible assets and productions assets with carrying amount of RMB482,000, RMB21,122,000 and RMB960,000 respectively before the impairment loss.

For the purpose of the impairment testing, the recoverable amount of the CGU is determined on the basis of value in use calculation, which is based on the recoverable amount of the CGU prepared from financial forecasts approved by the directors covering the remaining concessionary period. The Group impaired its goodwill, other intangible assets and production assets of RMB482,000, RMB20,777,000 and RMB926,000 respectively up to the net estimated cash inflow for the remaining concessionary period.

20. LONG TERM DEPOSITS

Long term deposits represent environmental rehabilitation deposits paid to the local government in the PRC, carrying interest at prevailing market rate of 0.35% (2011: 0.5%) per annum. The amounts will be refunded at the cessation of mining activities or closure of mines if and only if the environmental rehabilitation work of the relevant mines meets government's requirements. They are not expected to be refunded within the next twelve months.

21. INVENTORIES

	2012 *RMB'000*	2011 *RMB'000*
Raw materials and consumables	**16,317**	15,877
Finished goods	**19,354**	22,680
	35,671	38,557

22. TRADE AND OTHER RECEIVABLES

	2012 *RMB'000*	2011 *RMB'000*
Current		
Trade receivables	**59,699**	9,372
Bills receivable	**—**	17,000
	59,699	26,372
Deferred consideration receivable *(Note i)*	**—**	66,550
Amount due from Disposal Group (as defined in Note 37) *(Note ii)*	**—**	61,962
Amount due from a third party *(Note iii)*	**—**	15,906
Advance payments to suppliers	**8,867**	4,265
Contingent consideration receivable *(Note 6)*	**20,731**	—
Other receivables and prepayments	**6,626**	10,058
	95,923	185,113
Non-current		
Deferred consideration receivable *(Note i)*	**53,406**	—
Amount due from Disposal Group (as defined in Note 37) *(Note ii)*	**41,742**	—
	95,148	—

22. TRADE AND OTHER RECEIVABLES - CONTINUED

Notes:

(i) At 31st 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 the Disposal Group as defined in Note 37. Under the original sales and purchase agreement, the amount was unsecured, interest-free and repayable on or before 30th June, 2012. The amount was classified as current as at 31st December, 2011.

During the year ended 31st December, 2012, Feng Hua repaid RMB13,144,000. On 29th June, 2012, the Company and Feng Hua entered into a supplemental sales and purchase agreement (the "Supplemental Agreement"), pursuant to which the Company and Feng Hua agreed to extend the date of repayment of the remaining balance of RMB53,406,000 to 30th June, 2014. The 51% equity interest of the Disposal Group as 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 classified as non-current as at 31st December, 2012.

As 31st December, 2012, the directors consider whether there was any change in the credit quality of the amount due from Feng Hua from the date of credit was initially granted and no impairment loss is required.

(ii) As at 31st December, 2011, the whole amount of RMB61,962,000 was unsecured and interest-free. Included in the balance, an amount of RMB38,035,000 was repayable on or before 30th June, 2012 and the remaining balance was repayable on demand. The amount was classified as current as at 31st December, 2011.

On 29th 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 30th June, 2014. It is secured by the 51% equity interest of the Disposal Group as held by Feng Hua and interest-free. The amount is classified as non-current as at 31st December, 2012.

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 31st December, 2012.

As at 31st December, 2012, the non-current amount due from Disposal Group is carried at amortised cost. Taking into account the delay in repayment, a loss of RMB20,331,000 was recognised for the year ended 31st December, 2012 that represents the difference between the present value of the future cash inflows of RMB40,716,000 and the carrying amount before impairment of RMB61,047,000. An imputed interest of RMB1,026,000 (2011: nil) is recognised as other income in profit or loss during the year ended 31st December, 2012.

As at 31st December, 2012, the directors consider whether there was any change in the credit quality of the amount due from the Disposal Group from the date credit was initially granted and no impairment loss is required.

(iii) The amount was unsecured, interest-free and repayable on demand. The directors considered that the amount will be repaid within one year from the end of the reporting period. During the year ended 31st December, 2012, the amount was settled by Yue Da Enterprise. Details disclosed in note 39.

22. 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:

	Trade receivables		Bills receivable	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
0 - 60 days	**56,861**	7,401	**—**	—
61 - 120 days	**—**	—	**—**	2,000
121 - 180 days	**1,067**	—	**—**	15,000
over 180 days	**1,771**	1,971	**—**	—
	59,699	9,372	**—**	17,000

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly.

In determining the recoverability of trade and bills receivables that were neither past due nor impaired, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the report date. In view of no default payment history was noted and the amounts are within its credit period, the directors considered that there is no credit provision is required. As at 31st December, 2012, the trade receivables of RMB2,838,000, with RMB1,067,000 aged between 121-180 days and RMB1,771,000 aged over 180 days at 31st December, 2012 (2011: RMB1,971,000 aged between 121-180 days) were past due but not impaired as there has not been a significant change in credit quality and with no historical default of payments. The amounts are still considered recoverable. Accordingly, the directors believe that there is no credit provision required.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2012	2011
	RMB'000	*RMB'000*
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control *(Note i)*	**20,639**	20,242
Pingchuan Iron Mining Company Limited *(Note ii)*	**9,816**	9,816
Anhui Guan Hua Group Limited *(Note iii)*	**582**	—
	31,037	30,058
Trade nature	**13,768**	14,620
Non-trade nature	**17,269**	15,438
	31,037	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:

	2012	2011
	RMB'000	*RMB'000*
0 - 60 days	**3,952**	14,620
Over 180 days	**9,816**	—
	13,768	14,620

At 31st December, 2012, the trade balances due from related companies of RMB9,816,000 (2011: nil) were past due but not impaired. The directors consider that there is no change in the credit quality and no impairment is required.

The amounts due to related companies are non-trade nature, unsecured, interest-free and repayable on demand. At 31st December, 2012, an amount of RMB38,930,000 (2011: RMB845,000) is due to Yue Da Enterprise which is a fellow subsidiary of the Company.

23. AMOUNTS DUE FROM/TO RELATED COMPANIES - CONTINUED

The Group has financial risk management policies in place to ensure that all payables are within the allowable credit period. The Group's amount due to a related company that are denominated in a currency other than the functional currency of the relevant group entity are set out below:

	2012	2011
	RMB'000	*RMB'000*
Hong Kong Dollars ("HKD")	**38,930**	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, interest-free and repayable on demand. The amount includes trade balances of RMB3,952,000 (2011: RMB4,804,000).

(ii) Pingchuan Iron Mining Company Limited is a non-controlling shareholder of the Company's subsidiary, Liangshan Pretecture Yuechuan Mining Co, Limited. The amount is trade nature, unsecured and interest-free. The amount includes trade balances of RMB3,952,000 (RMB4,804,000). The directors consider that the amount will be repaid within one year from the end of the reporting period. The amount is classified as current.

(iii) Anhui Guan Hua Group Limited is a non-controlling shareholder of the Company's subsidiary, Tong Ling Guan Hua. The amount is unsecured, interest-free and repayable on demand.

24. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The bank balances carry interest at market rates which range from 0.01% to 0.35% (2011: 0.01% to 0.5%) per annum.

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

	2012	2011
	RMB'000	*RMB'000*
HKD	**30,942**	8,832

25. TRADE AND OTHER PAYABLES

	2012 *RMB'000*	2011 *RMB'000*
Current		
Trade payables	**4,901**	5,151
Advances payments from customers	**18,430**	14,148
Accrued staff costs	**9,843**	8,678
Other tax payables	**10,033**	20,844
Mining fee payables *(Note)*	**3,874**	7,954
Other payables and accrued charges	**17,161**	14,061
	64,242	70,836
Non-current		
Other payables *(Note)*	**—**	20,756
	64,242	91,592

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

	2012 *RMB'000*	2011 *RMB'000*
0 - 60 days	**3,186**	3,567
61 - 120 days	**621**	1,321
over 120 days	**1,094**	263
	4,901	5,151

The average credit period on purchases of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit period.

25. TRADE AND OTHER PAYABLES - CONTINUED

Note: As at 31st December, 2012, included in the other payables is a mining fee payable of RMB3,874,000 (2011: RMB28,710,000) in which nil (2011: RMB20,756,000) is non-current portion and RMB3,874,000 (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. The fair value of non-current mining fee payable at initial recognition was determined using cash flows discounted at an original effective interest rate of 9.3% per annum, the imputed interest portion amounting of RMB30,421,000 was considered as government grant and was recognised as deferred income (see Note 32) as at 31st December, 2011.

During the year ended 31st December, 2012, pursuant to the laws and regulations for the cessation of the payment mining fees payable issued by the Department of Land Resources of Yunnan Province and the Department of Finance of the PRC, the mines situated in the Yunnan Province are not subject to the payment of the mining fees with effective from 1st February, 2012. The government authorities also required the entities with mines situated in the Yunnan Province to settle the payment of those outstanding mining fees payables up to 31st January, 2012 on or before 31st October, 2012. The Group settled all the outstanding mining fees payables for the mines in the Yunnan Province up to 31st January, 2012 accordingly.

During the year ended 31st December, 2012, with the change of the relevant laws and regulations regarding mining fees in the PRC, the mining fees payables of RMB20,453,000 and the imputed interest portion of non-current mining fees payable recognised as the deferred income of RMB30,421,000 were derecognised. The amount of RMB50,874,000 was derecognised from mining rights concurrently (Note 16).

26. AMOUNTS DUE TO DIRECTORS

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

27. PROMISSORY NOTES

	2012 *RMB'000*	2011 *RMB'000*
Bright Harvest *(Note)*	—	7,722

Note: On 30th June, 2010, the Company issued a promissory note comprising two tranches each with a principal sum of HKD50,000,000 (equivalent to RMB43,825,000), as part of the consideration for the Acquisition as disclosed in Note 6.

The promissory note is unsecured and interest-free. The first and second tranches are repayable on 31st July, 2011 and 31st 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 year ended 31st December, 2011, the Group early settled the promissory note with a principal sum of HKD90,000,000 (equivalent to RMB74,182,000) 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 31st December, 2011 (Note 6).

During the year ended 31st December, 2012, the Group early settled the promissory notes with a principal sum of HKD10,000,000 (equivalent to RMB8,155,000). A difference of RMB50,000 (2011: RMB1,873,000) 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 consolidated statement of comprehensive income.

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

28. BANK BORROWINGS

	2012 *RMB'000*	2011 *RMB'000*
Bank loans		
Secured	—	82,590
Unsecured	**128,648**	123,642
	128,648	206,232
The floating-rate bank loans are repayable*:		
Within one year	—	82,590
Carrying amount of bank loans that are repayable within one year from the end of the reporting period but contain a repayable on demand clause (shown under current liabilities)	**128,648**	123,642
	128,648	206,232

* 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 1.88% to 7.87% (2011: 1.17% to 7.54%) per annum.

As at 31st December, 2011, the HKD bank loan of RMB82,590,000 was secured by the Company's equity interests in certain subsidiaries. As at 31st December, 2012, the RMB bank loans with carrying amount of RMB80,000,000 (2011: RMB75,000,000) are guaranteed by Jiangsu Yue Da.

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

	2012 *RMB'000*	2011 *RMB'000*
HKD	**48,648**	131,232

29. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable under finance leases:				
Within one year	**784**	2,643	**766**	2,437
In the second to fifth year inclusive	**—**	784	**—**	766
	784	3,427	**766**	3,203
Less: Future finance charges	**(18)**	(224)	**—**	N/A
Present value of lease obligations	**766**	3,203	**766**	3,203
Less: Amount due for settlement within one year			**(766)**	(2,437)
Amount due for settlement after one year			**—**	766

The Group leased certain of its plant and machinery under finance leases with terms of 5 years. The effective interest rates were ranged from 7.80% to 16.69% per annum during the lease term. Interest rates were fixed at the contract dates. The leases were on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under the finance leases are secured by the lessor's title the leased assets.

30. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2011	2,496
Released upon disposal of subsidiaries *(Note 37)*	(2,256)
Imputed interest	21
At 31st December, 2011	261
Additional provision in the year	1,911
Imputed interest	22
At 31st December, 2012	2,194

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

31. DEFERRED TAX LIABILITIES

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

	Fair value adjustment on mining rights *RMB'000*	Decelerated tax depreciation *RMB'000*	Amortisation of other intangible assets *RMB'000*	Dividends withholding tax *RMB'000*	Total *RMB'000*
At 1st January, 2011	356,084	(10,142)	5,766	12,607	364,315
Eliminated upon disposal of subsidiaries *(Note 37)*	(57,640)	—	—	—	(57,640)
(Credit) charge to profit or loss	(4,659)	1,379	(1,200)	6,085	1,605
At 1st January, 2012	293,785	(8,763)	4,566	18,692	308,280
(Credit) charge to profit or loss	(44,717)	(6,057)	(4,566)	4,369	(50,971)
At 31st December, 2012	249,068	(14,820)	—	23,061	257,309

At the end of the reporting period, the Group had unused tax losses of approximately RMB60,585,000 (2011: RMB28,862,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

31. DEFERRED TAX LIABILITIES - CONTINUED

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB288,015,000 (2011: RMB268,654,000).

32. DEFERRED INCOME

The amount as at 31st December, 2011 represented the imputed interest portion of non-current mining fees payable (Note 25).

During the year ended 31st December, 2012, the amount of RMB 30,421,000 has been derecognised due to the change of the laws and regulations of the mining fees payable. Details are set out in Note 25.

33. SHARE CAPITAL

	Number of shares	Amount *HKD'000*	Shown in the consolidated financial statements *RMB'000*
Ordinary shares of HKD0.10 each:			
Authorised			
At 1st January, 2011, 31st December, 2011 and 2012	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2011	685,554,928	68,556	64,773
Exercise of share options	1,213,979	121	101
At 31st December, 2011	686,768,907	68,677	64,874
Open offer *(Note)*	228,922,969	22,892	18,600
As 31st December, 2012	915,691,876	91,569	83,474

Note: On 15th 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 HKD0.5 per share. The proceeds are intended for repayment of bank loans and promissory note and to finance the Group's general working capital requirements.

34. SHARE-BASED PAYMENTS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group, and expires on 11th November, 2012. Under the Scheme, the directors may grant options to any director or employee of the Company and its subsidiaries or other eligible participants, to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HKD1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors at the time of such grant to each grantee, which period commence on the date of acceptance of the offer for the grant of option but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

At 31st December, 2012, the number of shares in respect of which options remained outstanding under the Scheme was 41,723,735 (2011: 16,191,696), representing 5% (2011: 2%) of the shares of the Company in issue at that date.

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

	Date of grant	Exercise price per share HKD *(Note)*	Exercisable period	Outstanding at 1st January, 2012	Granted during the year	Adjustment during the year (Note)	Lapsed during the year	Outstanding at 31st December, 2012
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,111,072	—	67,997	—	1,179,069
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,806,920	—	171,785	—	2,978,705
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,500,000	—	91,800	—	1,591,800
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	—	4,320,000	264,384	—	4,584,384
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	—	3,240,000	198,288	—	3,438,288
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	—	3,240,000	198,288	—	3,438,288
				5,417,992	10,800,000	992,542	—	17,210,534

34. SHARE-BASED PAYMENTS - CONTINUED

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

	Date of grant	Exercise price per share HKD *(Note)*	Exercisable period	Outstanding at 1st January, 2012	Granted during the year	Adjustment during the year *(Note)*	Lapsed during the year	Outstanding at 31st December, 2012
Employees	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	4,162,423	—	254,740	(1,638,288)	2,778,875
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	5,251,281	—	321,376	(881,201)	4,691,456
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	700,000	—	42,840	—	742,840
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	150,000	—	9,180	—	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	150,000	—	9,180	—	159,180
	16th December, 2010	1.2721	17th December, 2010 to 16th December, 2020	144,000	—	8,812	—	152,812
	16th December, 2010	1.2721	17th December, 2011 to 16th December, 2020	108,000	—	6,609	—	114,609
	16th December, 2010	1.2721	17th December, 2012 to 16th December, 2020	108,000	—	6,609	—	114,609
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	—	6,080,000	372,096	(212,240)	6,239,856
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	—	4,560,000	279,072	(159,180)	4,679,892
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	—	4,560,000	279,072	(159,180)	4,679,892
				10,773,704	15,200,000	1,589,586	(3,050,089)	24,513,201
Total				16,191,696	26,000,000	2,582,128	(3,050,089)	41,723,735
Exercisable at the end of the year				15,933,696				25,487,375
Weighted average exercise price (HKD)				1.04				0.71

Note: The exercise price and number of share options outstanding as at 31st December, 2012 have been adjusted to reflect the effect of the open offer on 15th March, 2012.

34. SHARE-BASED PAYMENTS - CONTINUED

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

	Date of grant	Exercise price per share HKD	Exercisable period	Outstanding at 1st January, 2011	Transfer during the year	Exercise during the year *(Note)*	Outstanding at 31st December, 2011
Directors of the Company	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	701,730	409,342	—	1,111,072
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	2,105,190	701,730	—	2,806,920
	19th April, 2010	1.716	20th April, 2010 to 19th April, 2020	1,500,000	—	—	1,500,000
				4,306,920	1,111,072	—	5,417,992
Employees	27th May, 2009	0.9063	28th May, 2009 to 26th May, 2019	4,946,021	(409,342)	(374,256)	4,162,423
	9th July, 2009	0.9063	9th July, 2009 to 24th May, 2018	6,792,734	(701,730)	(839,723)	5,251,281
	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	(1,111,072)	(1,213,979)	10,773,704
Total				17,405,675	—	(1,213,979)	16,191,696
Exercisable at the end of the year				16,889,675			15,933,696
Weighted average exercise price (HKD)				1.03	0.91		1.04

Note: The options transferred relates to appointment of a director Mr. Hu Huaimin, on 31st August, 2011, who received the options in his capacity as an employee before the appointment as director.

34. SHARE-BASED PAYMENTS - CONTINUED

On 30th January, 2012, the following share options were granted:

(i) 10,400,000 share options exercisable commencing from 1st April, 2012 to 29th January, 2017, which vested immediately. The fair value of each option at the date of grant was approximately HKD0.18;

(ii) 7,800,000 share options exercisable commencing from 1st April, 2013 to 29th January, 2017, with vesting period from 31st January, 2012 to 31st March, 2013. The fair value of each share option at the date of grant was approximately HKD0.18;

(iii) 7,800,000 share options exercisable commencing from 1st April, 2014 to 29th January, 2017 with vesting period from 31st January, 2012 to 31st March, 2014. The fair value of each share option at the date of grant was approximately HKD0.18.

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

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

Share options granted on 30th January, 2012

Grant date share price	HKD0.584
Exercise price	HKD0.5503
Expected life	2.37 years
Expected volatility	51.23%
Expected dividend yield	0%
Risk-free interest rate	0.24%

The closing price of the Company's shares immediately before the date of grant was HKD0.59.

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

The Group recognised the total expenses of RMB2,958,000 (2011: RMB355,000) for the year ended 31st December, 2012 in relation to the share options granted by the Company.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of 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 review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates 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.

36. FINANCIAL INSTRUMENTS

(i) Categories of financial instruments

	2012 ***RMB'000***	2011 *RMB'000*
Financial assets		
Available-for-sale investments	**15,964**	70,457
Loans and receivables (including cash and cash equivalents)	**411,749**	325,347
Financial liabilities		
Amortised cost	**191,192**	259,018

(ii) Financial risk management objectives and policies

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

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Market risk

(a) Currency risk

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

	Liabilities		Assets	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HKD	**49,074**	140,164	**30,942**	8,832

Sensitivity analysis

The Group is mainly exposed to HKD exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HKD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes amount due to a related company, amounts due to directors, promissory notes, bank borrowings and bank balances that are denominated in HKD. A positive number below indicates an increase in post-tax loss for the year (2011: a decrease in post-tax profit) where HKD weakening 5% (2011: 5%) against the functional currency of the relevant group entities. For a 5% (2011: 5%) strengthen of HKD against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

	Profit and loss	
	2012	2011
	RMB'000	*RMB'000*
HKD	**907**	6,567

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

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Market risk - continued

(b) Interest rate risk

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

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

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate and The People's Bank of China Base Lending Rate arising from the Group's bank borrowings and bank balances.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank borrowings and variable-rate bank balances at the end of the reporting period and management considers that such exposure for long term deposits is not significant. The analysis is prepared assuming the amounts of liabilities outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2011: 50 basis points) increase or decrease is used for bank borrowings respectively for the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for bank borrowings and variable-rate bank balances and all other variables were held constant, the Group's post-tax loss the year ended 31st December, 2012 would decrease/increase by RMB113,000 (2011: the Group's post-tax profit would increase/decrease by RMB882,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Credit risk

As at 31st December, 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or related companies is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group has concentration of credit risk on trade and other receivables and amounts due from related companies. Trade receivables were mainly due from two (2011: two) external customers within the Mining Operations while other receivables including contingent consideration receivable, deferred consideration and amount due from Disposal Group were mainly due from five (2011: five) external parties. And the amounts due from related companies in trade nature and non-trade nature were mainly attributed to two (2011: two) related companies and one (2011: one) related company respectively. Those counterparties include well-established corporations or government related entities in the PRC.

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and amounts due from related companies at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk tables

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012								
Non-derivative financial liabilities								
Trade and other payables (current)	—	22,636	—	—	—	—	22,636	22,636
Amount due to a related company	—	40,709	—	—	—	—	40,709	40,709
Amounts due to directors	—	426	—	—	—	—	426	426
Bank borrowings (variable rate)	7.9	131,009	—	—	—	—	131,009	128,648
Obligations under finance leases	9.6	—	537	247	—	—	784	766
		194,780	537	247	—	—	195,564	193,185

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity risk tables - continued

	Weighted average effective interest rate %	On demand or less than 1 month *RMB'000*	1-3 months *RMB'000*	3 months to 1 year *RMB'000*	1-5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amounts *RMB'000*
2011								
Non-derivative financial liabilities								
Trade and other payables (current)	—	33,536	—	—	—	—	33,536	33,536
Other payables (non-current)	9.3	—	—	—	9,561	41,616	51,177	20,756
Amount due to a related company	—	845	—	—	—	—	845	845
Amounts due to directors	—	365	—	—	—	—	365	365
Promissory notes	8.7	—	—	8,107	—	—	8,107	7,722
Bank borrowings (variable rate)	3.7	125,987	—	83,064	—	—	209,051	206,232
Obligations under finance leases	9.6	220	661	1,762	784	—	3,427	3,203
		160,953	661	92,933	10,345	41,616	306,508	272,659

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2012, the aggregate undiscounted principal amounts of these bank loans amounted to RMB128,648,000 (2011: RMB123,642,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one year after the reporting date in accordance with the scheduled repayment dates set out in the facility letters.

36. FINANCIAL INSTRUMENTS - CONTINUED

(ii) Financial risk management objectives and policies - continued

Liquidity risk - continued

Liquidity risk tables - continued

The following tables disclose the maturity analysis in accordance with scheduled repayment dates set out in the facility letters.

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2012						
Bank borrowings (variable rate)	**7.9**	**197**	**41,377**	**89,435**	**131,009**	**128,648**
2011						
Bank borrowings (variable rate)	3.7	35,660	—	90,327	125,987	123,642

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

(iii) Fair value

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

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

36. FINANCIAL INSTRUMENTS - CONTINUED

(iii) Fair value - continued

Fair value measurements recognised in the consolidated statement of financial position.

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

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

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

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

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

Reconciliation of Level 3 fair value measurements of financial assets

	Contingent consideration receivable *RMB'000*	**Other financial asset** *RMB'000*
At 1st January, 2011	—	23,604
Total gains recognised in profit or loss	74,182	641
Settlement/derecognition	(74,182)	(24,245)
At 31st December, 2011	—	—
Total gains recognised on profit or loss	20,731	—
At 31st December, 2012	20,731	—

Gain on change in fair value of other financial asset and contingent consideration are included in “Other gains and losses”.

37. DISPOSAL OF SUBSIDIARIES

On 16th August, 2011, the Group entered into a disposal agreement with Feng Hua Group Limited ("Feng Hua"), an independent third party, to dispose of the 41.1% of the 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 San Xiang Mining Co., Ltd., Weng Niu Te Qi Xiang Da Mining Co., Ltd., Chi Feng Yi Da Mining Co., Ltd., (collectively refer to as the "Disposal Group"), the principal activities of which are mining and processing of zinc and lead, at a cash consideration of RMB59,097,000. In addition, the Group's shareholder loan to the Disposal Group amounted to RMB31,903,000 has been assigned to Feng Hua. Total consideration amounted to RMB91,000,000 for the disposal of 41.1% of issued capital and the assignment of shareholder's loan amounted to RMB91,000,000. The disposal was completed on 30th December, 2011 on which date control of the Disposal Group was passed to the acquirer.

Upon completion of the disposal, the Group has retained 49% of the equity interest in Disposal Group and will not be entitled to appoint any director to Disposal Group nor allowed to involve in the management, financial and operating decisions, and day to day operations of Disposal Group. The future operations of the Disposal Group shall be funded solely by Feng Hua when necessary. Accordingly, the remaining 49% interest of Disposal Group owned by the Group was classified as available-for-sale investments of the Group (see Note 17).

37. DISPOSAL OF SUBSIDIARIES - CONTINUED

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

NET ASSETS DISPOSED OF	*RMB'000*
Property, plant and equipment	27,741
Mining rights	249,944
Long term deposits	3,674
Inventories	1,999
Other receivables	15,863
Bank balances and cash	226
Trade and other payables	(13,064)
Deferred tax liabilities	(57,640)
Amounts due to group companies	(93,865)
Provisions	(2,256)
	132,622
Non-controlling interests	(11,998)
	120,624
Add: assignment of shareholder's loan	31,903
Gain on disposal	8,930
Total consideration	161,457
Satisfied by:	
Cash	24,450
Deferred consideration	66,550
	91,000
Available-for-sale investments	70,457
	161,457
Net cash outflow arising on disposal:	
Cash consideration	24,450
Bank balances and cash disposed of	(226)
	24,224

37. DISPOSAL OF SUBSIDIARIES - CONTINUED

The deferred consideration will be settled in cash by the acquirer on or before 30th June, 2012.

During the year ended 31st December, 2012, Feng Hua has made a repayment amounting of RMB13,144,000. On 29th 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 30th June, 2014. Details are set out in Note 22.

During the period between 1st January, 2011 and the date of disposal, the Disposal Group contributed a loss of RMB13,681,000 to the Group's results. The Disposal Group disposed of during the year ended 31st December, 2011 did not have material effect on the Group's cash flow.

38. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2011: 20%) of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff.

In addition, the Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes either 5% or 10% (2011: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB2,107,000 (2011: RMB2,075,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

39. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2012, Yue Da Enterprise settled an amount due from a third party amounting of RMB20,135,000 on behalf of that third party by offseting against part of the amount due to Yue Da Enterprise by the Group after the acquisition of that third party by Yue Da Enterprise.

During the year ended 31st December, 2011, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of RMB6,657,000.

During the year ended 31st December, 2011, the compensation of RMB74,182,000 from Bright Harvest was settled by an offset against the promissory note issued to Bright Harvest with principal amount of RMB74,182,000 as agreed with Bright Harvest.

40. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises and equipment during the year ended 31st December, 2012 amounted to RMB2,821,000 (2011: RMB5,738,000).

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

	2012	2011
	RMB'000	*RMB'000*
Within one year	**3,169**	2,759
In the second to fifth year inclusive	**5,956**	1,549
	9,125	4,308

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB7,175,000 (2011: RMB3,774,000) by the Group for certain of its office premises and staff quarters. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

41. CAPITAL COMMITMENTS

	2012	2011
	RMB'000	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**12,728**	2,141

42. PLEDGE OF ASSETS

As at 31st December, 2011, the Company's equity interests in certain subsidiaries, which hold certain mining rights in the PRC, were pledged to a bank for credit facilities granted to the Group. As at 31st December, 2011, RMB82,590,000 of such facilities was utilised. During the year ended 31st Decemeber, 2012, the Group has fully settled the corresponding borrowings and such facilities have been expired. The respective pledge of assets have been released accordingly.

43. 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.

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	2012 *RMB'000*	2011 *RMB'000*
Immediate holding company			
Yue Da HK	Rentals paid on office premises and staff quarters by the Group	**2,196**	2,249
Fellow subsidiary			
Yue Da Enterprise	Imputed interest arising from non-current interest-free loans granted to the Group	**—**	1,135
	Rentals paid on staff quarter by the Group *(Note)*	**195**	200

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

As at 31st December, 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 RMB100,000,000 (2011: RMB100,000,000). The facilities are general working capital facilities and will be expired in March 2013. As at 31st December, 2012, a total amount of RMB80,000,000 (2011: RMB75,000,000) was utilised by the Group.

Details of the outstanding balances with Yue Da Enterprise are set out in Note 23.

Details of the operating lease commitment with the related parties are set out in Note 40.

43. RELATED PARTY DISCLOSURES - CONTINUED

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

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

Name of related parties	Nature of transactions	2012 RMB'000	2011 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group *(Note)*	**4,066**	5,745

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

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 23.

(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 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.

43. 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 parties	Nature of transactions	**2012** ***RMB'000***	2011 *RMB'000*
Pingchuan Iron Mining Company *(Note i)*	Purchase of materials by the Group	—	34,309

Notes:

(i) Pingchuan Iron Mining Company is a non-controlling shareholder of a PRC subsidiary which has significant influence over that subsidiary.

Details of the outstanding balances with Pingchuan Iron Mining Company set out in Note 23.

(iii) Compensation of key management personnel

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

	2012 ***RMB'000***	2011 *RMB'000*
Short-term benefits (including share-based payments)	**6,271**	4,127
Post-employment benefits	**308**	303
	6,579	4,430

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2012 and 2011 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company %	Principal activities
Baoshan Feilong *(Note i & ii)*	PRC	Registered capital — RMB34,500,000	100	Mining and processing zinc, copper and lead
Daqian Mining *(Note i)*	PRC	Registered capital — RMB5,000,000	100	Mining and processing zinc and lead
Langfang Tongda *(Note iii)*	PRC	Registered capital — US$11,250,000	51	Management and operation of the Wen An section of National Highway 106
Tengchong Ruitu Mining and Technology Company Limited *(Note i)*	PRC	Registered capital — RMB11,000,000	100	Mining and processing iron and zinc
Tong Ling Guan Hua *(Note i)*	PRC	Registered capital — RMB18,000,000	70	Mining, processing and sales of gold
Yaoan Feilong *(Note i)*	PRC	Registered capital — RMB17,400,000	100	Mining and processing zinc and lead

Notes:

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

(ii) Pursuant to the profit distribution agreement disclosed in Note 6, all the profits will be shared by the Group from 2008 to 2015. The Right was released during the year ended 31st December, 2011.

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

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

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

45. EVENT AFTER THE REPORTING PERIOD

On 21st January, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited ("YDM"), entered into following agreements:

(i) A conditional subscription agreement ("Subscription Agreement") was entered into amongst YDM, Everwise Technology Limited ("Everwise"), a company incorporated in British Virgin Islands and New Aims Holdings Limited ("New Aims"), an independent third party and the original shareholder of Everwise. Pursuant to the Subscription Agreement, YDM and New Aims shall subscribe 60% and 40% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise at US$6 million and US$4 million respectively;

(ii) A conditional loan agreement was entered into between YDM (as lender) and Mineral Land Holdings Limited ("Mineral Land") (as borrower), an independent third party, in relation to a term loan facility up to US$16 million for a term of one year, which carries a fixed-sum of US$1 million interest; and

(iii) A call option deed was executed by Solid Success International Limited ("Solid Success"), an independent third party, in favour of YDM puruant to which Solid Success has granted a call option to YDM to require Solid Success to sell (a) the entire issued share capital of Mineral Land as held by Solid Success and (b) the benefit of shareholder's loan from Solid Success to Mineral Land at not more than an aggregate consideration of US$36 million (subject to adjustment). The call option is exercisable within a period of one year from the date when the call option deed was entered into.

Everwise is acted as investment holding company and its operating subsidiaries will be principally engaged in the processing and exporting titanium slags in Vietnam ("Slag Factory").

The principal activity of Mineral Land is intended to be an investment holding company.

The extraordinary general meeting of the Company ("EGM") will be convened at which resolution(s) will be proposed to seek the approval of the shareholders for the transactions contemplated under the subscription agreement and the loan agreement, which has not yet been taken place by the date of the authorisation of the issue of the consolidated financial statements for the year ended 31st December, 2012.

Financial Summary

	Year ended 31st December,				
	2008	2009	2010	2011	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	268,263	209,713	350,816	416,795	**359,059**
(Loss) profit for the year attributable to:					
Owners of the Company	(240,200)	(52,881)	35,529	105,022	**(230,293)**
Non-controlling interests	450	5,701	8,073	(4,398)	**(2,351)**
	(239,750)	(47,180)	43,602	100,624	**(232,644)**

	As at 31st December,				
	2008	2009	2010	2011	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Assets and liabilities					
Total assets	1,657,669	1,544,414	2,195,974	1,892,895	**1,576,878**
Total liabilities	(966,614)	(891,306)	(996,223)	(658,991)	**(513,266)**
	691,055	653,108	1,199,751	1,233,904	**1,063,612**
Equity attributable to owners of the Company	564,050	526,924	928,006	1,038,566	**894,681**
Non-controlling interests	127,005	126,184	271,745	195,338	**168,931**
	691,055	653,108	1,199,751	1,233,904	**1,063,612**