



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

Stock Code: 629



**2013** *Interim Report*

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2013

	NOTES	Six months ended	
		30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited) (restated)
<b>Continuing operation</b>			
Revenue	3	133,840	198,602
Cost of sales		<u>(93,247)</u>	<u>(115,268)</u>
Gross profit		40,593	83,334
Other income		4,366	3,089
Other gains and losses	4	26,536	(540)
Impairment losses on assets	5	(135,983)	—
Administrative expenses		(38,066)	(28,932)
Finance costs	6	<u>(6,228)</u>	<u>(7,155)</u>
(Loss) profit before tax		(108,782)	49,796
Income tax credit (expense)	7	<u>28,021</u>	<u>(21,467)</u>
(Loss) profit for the period from continuing operation	8	<u>(80,761)</u>	28,329
<b>Discontinued operation</b>			
Loss for the period from discontinued operation	9	<u>(5,514)</u>	<u>(7,642)</u>
(Loss) profit and total comprehensive (expense) income for the period		<u>(86,275)</u>	<u>20,687</u>
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company			
— from continuing operation		(87,149)	17,699
— from discontinued operation		<u>(2,812)</u>	<u>(3,897)</u>
		<u>(89,961)</u>	<u>13,802</u>

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2013

		<b>Six months ended</b>	
	<i>NOTE</i>	<b>30.6.2013</b> <b>RMB'000</b> <b>(unaudited)</b>	30.6.2012 <b>RMB'000</b> (unaudited) (restated)
<hr/>			
Profit (loss) and total comprehensive income (expense) for the period attributable to non-controlling interests			
– from continuing operation		<b>6,388</b>	10,630
– from discontinued operation		<b>(2,702)</b>	(3,745)
		<u><b>3,686</b></u>	<u>6,885</u>
(Loss) earnings per share	11		
From continuing and discontinued operations			
– Basic		<b>RMB(9.83)</b> <b>cents</b>	<u>RMB1.65 cents</u>
– Diluted		<b>RMB(9.83)</b> <b>cents</b>	<u>RMB1.65 cents</u>
From continuing operation			
– Basic		<b>RMB(9.52)</b> <b>cents</b>	<u>RMB2.11 cents</u>
– Diluted		<b>RMB(9.52)</b> <b>cents</b>	<u>RMB2.11 cents</u>

# Condensed Consolidated Statement of Financial Position

At 30th June, 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
<b>Non-current Assets</b>			
Property, plant and equipment	12	117,418	126,620
Prepaid lease payments		9,974	10,054
Mining rights	13	814,850	956,533
Available-for-sale investments		15,964	15,964
Other intangible assets		—	345
Long term deposits		7,202	6,882
Deposits paid for acquisition of property, plant and equipment and a land use right		8,515	8,604
Deposit paid for an investment	14	18,846	—
Other receivables	15	97,332	95,148
		<u>1,090,101</u>	<u>1,220,150</u>
<b>Current Assets</b>			
Prepaid lease payments		449	446
Inventories		33,797	35,671
Trade and other receivables	15	163,571	95,923
Amounts due from related companies	16	25,900	31,037
Taxation receivable		119	2,124
Bank balances and cash		203,094	191,527
		<u>426,930</u>	<u>356,728</u>
Assets classified as held for sales	17	83,372	—
		<u>510,302</u>	<u>356,728</u>

# Condensed Consolidated Statement of Financial Position

At 30th June, 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
<b>Current Liabilities</b>			
Trade and other payables	18	57,498	64,242
Amounts due to related companies	16	92,405	40,709
Amounts due to directors		—	426
Taxation payable		11,566	18,972
Bank borrowings — due within one year	19	206,144	128,648
Obligation under finance leases		—	766
		<b>367,613</b>	253,763
Liabilities directly associated with assets classified as held for sales	17	<b>34,684</b>	—
		<b>402,297</b>	253,763
<b>Net Current Assets</b>		<b>108,005</b>	102,965
<b>Total Assets Less Current Liabilities</b>		<b>1,198,106</b>	1,323,115

# Condensed Consolidated Statement of Financial Position

At 30th June, 2013

	NOTE	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
<b>Capital and Reserves</b>			
Share capital	20	83,474	83,474
Reserves		721,749	811,207
Equity attributable to owners of the Company		805,223	894,681
Non-controlling interests		172,617	168,931
<b>Total Equity</b>		<b>977,840</b>	1,063,612
<b>Non-current Liabilities</b>			
Provisions		2,207	2,194
Deferred tax liabilities		218,059	257,309
		220,266	259,503
		<b>1,198,106</b>	1,323,115

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2013

	Attributable to owners of the Company										
	Attributable to owners of the Company								Non-controlling interests		Total equity
	Share capital	Share premium	Non-distributable reserves	Special reserve	Capital contribution	Share options reserve	Other reserve	Accumulated losses	Total	interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st January, 2012 (audited)	64,874	831,346	31,018	157,178	21,717	18,550	(53,464)	(32,653)	1,038,566	195,338	1,233,904
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	13,802	13,802	6,885	20,687
Share issued	18,600	74,400	-	-	-	-	-	-	93,000	-	93,000
Forfeiture of share options	-	-	-	-	-	(1,312)	-	1,312	-	-	-
Transaction cost attributable to issue of shares	-	(1,064)	-	-	-	-	-	-	(1,064)	-	(1,064)
Recognition of equity-settled share-based payments	-	-	-	-	-	2,197	-	-	2,197	-	2,197
Transfer	-	-	5,189	-	-	-	-	(5,189)	-	-	-
At 30th June, 2012 (unaudited)	<u>83,474</u>	<u>904,682</u>	<u>36,207</u>	<u>157,178</u>	<u>21,717</u>	<u>19,435</u>	<u>(53,464)</u>	<u>(22,728)</u>	<u>1,146,501</u>	<u>202,223</u>	<u>1,348,724</u>
At 1st January, 2013 (audited)	<b>83,474</b>	<b>903,463</b>	<b>38,574</b>	<b>157,178</b>	<b>21,717</b>	<b>19,408</b>	<b>(53,464)</b>	<b>(275,669)</b>	<b>894,681</b>	<b>168,931</b>	<b>1,063,612</b>
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(89,961)	(89,961)	3,686	(86,275)
Forfeiture of share options	-	-	-	-	-	(278)	-	278	-	-	-
Recognition of equity-settled share-based payments	-	-	-	-	-	503	-	-	503	-	503
At 30th June, 2013 (unaudited)	<u>83,474</u>	<u>903,463</u>	<u>38,574</u>	<u>157,178</u>	<u>21,717</u>	<u>19,633</u>	<u>(53,464)</u>	<u>(385,352)</u>	<u>805,223</u>	<u>172,617</u>	<u>977,840</u>

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2013

	NOTES	Six months ended	
		30.6.2013 RMB'000 (unaudited)	30.6.2012 RMB'000 (unaudited)
Net cash from operating activities		<b>38,312</b>	43,361
Net cash used in investing activities			
Purchase of property, plant and equipment		<b>(14,824)</b>	(10,716)
Loan advance	15	<b>(50,250)</b>	—
Deposit received for disposal of a subsidiary	17	<b>34,000</b>	—
Advance to a related company		<b>(4,079)</b>	—
Receipt on deferred consideration arising from disposal of subsidiaries in prior year		—	13,144
Deposit paid for acquisition of property, plant and equipment and a land use right		<b>(8,515)</b>	(7,500)
Deposit paid for an investment	14	<b>(18,846)</b>	—
Other investing cash flows		<b>(5,290)</b>	2,613
		<b>(67,804)</b>	(2,459)
Net cash from financing activities			
Bank borrowings raised	19	<b>157,496</b>	80,000
Repayment of bank borrowings		<b>(80,000)</b>	(157,320)
Repayment to a related company		<b>(18,110)</b>	—
Advance from a related company		<b>68,680</b>	48,250
Repayment of promissory notes		—	(8,155)
Proceeds on open offer of new shares		—	93,000
Expenses on open offer of new shares		—	(1,064)
Other financing cash flows		<b>(6,981)</b>	(6,712)
		<b>121,085</b>	47,999



## Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2013

		<b>Six months ended</b>	
	<i>NOTE</i>	<b>30.6.2013</b>	30.6.2012
		<b>RMB'000</b>	RMB'000
		<b>(unaudited)</b>	(unaudited)
Net increase in cash and cash equivalents		<b>91,593</b>	88,901
Cash and cash equivalents at beginning of the period		<b>191,527</b>	127,614
Effect of foreign exchange rate changes		<b>700</b>	47
Cash and cash equivalents at end of the period		<b>283,820</b>	216,562
Represented by:			
Bank balances and cash		<b>203,094</b>	216,562
Bank balances and cash included in assets classified as held for sales	17	<b>80,726</b>	—
		<b>283,820</b>	216,562

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2012.

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

### **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current interim period, the Group has applied for the first time HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures* together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance* regarding the transitional guidance. HKAS 27 (as revised in 2011) *Consolidated and Separate Financial Statements* is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and separate financial statements* that deal with consolidated financial statements and HK(SIC) — INT 12 *Consolidation — special purpose entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the Group's investees in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group's condensed consolidated financial statements for the adoption of HKFRS 10.

### Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### **Amendments to HKAS 34 Interim financial reporting**

(as part of the annual improvements to HKFRSs 2009-2011 cycle)

The Group has applied the amendments to HKAS 34 Interim financial reporting as part of the *Annual Improvements to HKFRSs 2009-2011 Cycle* for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (“CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group’s reportable segments for performance assessment and resource allocation purposes, the Group has not included total asset and liabilities information as part of segment information.

Except as described above, the application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

The Group’s reportable and operating segment under HKFRS 8, based on information reported to the CODM, represented by the executive directors, for the purposes of resource allocation and performance assessment are (1) exploration, mining and processing of zinc, lead, iron and gold (“Mining Operations”) and (2) the management and operation of toll highway and bridge (“Toll Road Operations”).

The Toll Road Operations was discontinued in the current interim period. Segment information for the six months ended 30th June, 2012 has been restated. Details are set out in note 9.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 3. SEGMENT INFORMATION (CONTINUED)

After the discontinuance of the Toll Road Operations, the Group has one operating segment being Mining Operations which contribute the entire revenue of the continuing operation of the Group. The CODM reviewed the (loss) profit before tax, other income, other gains and losses as described below, central administration costs and finance costs for the purposes of resource allocation and performance assessment.

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<b>RMB'000</b>	RMB'000
		(restated)
<b>Continuing operation</b>		
Mining Operations revenue	<b>133,840</b>	198,602
Segment (loss) profit	<b>(116,835)</b>	64,197
Other income	<b>4,366</b>	3,089
Other gains and losses		
— Fair value gain on contingent consideration	<b>24,394</b>	—
— Net foreign exchange gain (loss)	<b>2,184</b>	(492)
— Loss upon extension of repayment terms on other receivables	<b>—</b>	(50)
Central administration costs	<b>(16,663)</b>	(9,793)
Finance costs	<b>(6,228)</b>	(7,155)
(Loss) profit before tax (continuing operation)	<b>(108,782)</b>	49,796

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
<b>Continuing operation</b>		
Fair value gain on contingent consideration ( <i>note</i> )	24,394	—
Net foreign exchange gains (loss)	2,184	(492)
Loss arising on early repayment of promissory notes	—	(50)
(Loss) gain on disposal of property, plant and equipment	(42)	2
	<b>26,536</b>	<b>(540)</b>

*Note:* During the year ended 31st December, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company, 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 Mining Company Limited ("Tong Ling Guan Hua"), which are engaging in investment holding, and mining and processing of gold, respectively. Bright Harvest and the remaining non-controlling interest of Tong Ling Guan Hua agreed to, jointly and severally, compensate the Group in relation to the shortfall of performance by Tong Ling Guan Hua up to 30th June, 2013. The amount for the current period represented the change in fair value of the contingent consideration receivable as the compensation in relation to the shortfall of performance by Tong Ling Guan Hua. The shortfall for the six months ended 30th June, 2013 was mainly due to the deferral of the production plan and the decline in market price price of gold during the six months ended 30th June, 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 4. OTHER GAINS AND LOSSES (CONTINUED)

Note: (continued)

As a result, a fair value gain on contingent consideration of RMB24,394,000 was recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30th June, 2013 (for the six months ended 30th June, 2012: nil). The management expected the amount of RMB24,394,000 will be settled by cash within one year from the end of the reporting period. As at 30th June, 2013, the contingent consideration receivable amounted to RMB45,125,000 (31st December, 2012: RMB20,731,000) was included in trade and other receivables as set out on Note 15.

## 5. IMPAIRMENT LOSSES ON ASSETS

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
Impairment losses on:		
— property, plant and equipment (Note 12)	19,215	—
— mining rights (Note 13)	116,768	—
	<u>135,983</u>	<u>—</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 6. FINANCE COSTS

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
<b>Continuing operation</b>		
Interest on bank borrowings		
wholly repayable within five years	5,630	5,114
Effective interest on promissory notes	—	336
Effective interest on finance leases	17	131
Imputed interest on:		
— other payables	—	1,563
— provisions	—	11
Bank loan arrangement fees	581	—
	<u>6,228</u>	<u>7,155</u>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 7. INCOME TAX (CREDIT) EXPENSE

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
<b>Continuing operation</b>		
People's Republic of China ("PRC") Enterprise Income Tax		
– current period	10,669	18,996
Underprovisions in prior years	560	1,787
Deferred tax		
– current period ( <i>Note</i> )	(39,250)	684
	<u>(28,021)</u>	<u>21,467</u>

*Note:* Included in the deferred tax, an amount of approximately RMB29,192,000 (for the six months ended 30th June, 2012: nil) was credited to profit or loss from continuing operation in the condensed consolidated statement of profit or loss and other comprehensive income for the release of the deferred tax in respect of the taxable temporary difference associated with the fair value adjustment on mining rights upon the impairment loss recognised for mining rights during the current interim period.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. The applicable tax rates of those PRC mining subsidiaries ranged from 15% to 25% for the six months ended 30th June, 2013 (for the six months ended 30th June, 2012: 15% to 25%).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 8. (LOSS) PROFIT FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended	
	30.6.2013	30.6.2012
	RMB'000	RMB'000
(Loss) profit for the period from continuing operation has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (included in cost of sales)	24,915	25,239
Depreciation of property, plant and equipment	12,387	13,321
Release of prepaid lease payments	185	70
Total depreciation and amortisation	37,487	38,630
Cost of inventories sold	68,332	90,029
Share-based payments expense	503	2,197
Interest income from bank deposits	(1,654)	(1,053)
Imputed interest income on amount due from Disposal Group (as defined in Note 15)	(2,184)	—

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 9. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION

The Toll Road Operations was operated under the operating rights being granted by the Hebei Provincial Government to the Group for 16 years, which is from 1997 to 2013. The concessionary period was ended in May 2013. No extension of the operating rights was granted. Since then, the Group ceased its Toll Road Operations accordingly. This operating segment is classified as discontinued operation.

	Six months ended	
	30.6.2013 RMB'000	30.6.2012 RMB'000
Revenue	8,042	11,211
Direct operating costs	<u>(4,918)</u>	<u>(16,787)</u>
Gross profit (loss)	3,124	(5,576)
Other income	28	32
Other gains and losses	—	18
Administrative expenses	(2,666)	(2,720)
Provision for servance payments to employees	<u>(6,000)</u>	<u>—</u>
Loss before tax	(5,514)	(8,246)
Income tax credit	<u>—</u>	<u>604</u>
Loss for the period	<u>(5,514)</u>	<u>(7,642)</u>
Loss for the period from discontinued operation has been arrived at after charging (crediting) the following:		
Amortisation of other intangible assets (included in direct operating costs)	344	10,704
Depreciation of property, plant and equipment	282	401
Interest income from bank deposits	<u>(28)</u>	<u>(32)</u>

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2013*

### **9. LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION (CONTINUED)**

The net cash flows attributable to the operating, investing and financing activities of the Toll Road Operations was not significant in both periods.

There was no significant assets and liabilities of the Toll Road Operations at the date of discontinued operation.

### **10. DIVIDEND**

No dividend was paid, declared or proposed during six months ended 30th June, 2013. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2013.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 11. (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:

Continuing and discontinued operations		Continuing operation	
Six months ended		Six months ended	
30.6.2013	30.6.2012	30.6.2013	30.6.2012
RMB'000	RMB'000	RMB'000	RMB'000

### (Loss) earnings

(Loss) profit for the period attributable to owners of the Company and (loss) profit for the purposes of basic and diluted (loss) earnings per share

<b>(89,961)</b>	13,802	<b>(87,149)</b>	17,699
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### Number of shares

<b>Number</b>	Number	<b>Number</b>	Number
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Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share

<b>915,691,876</b>	838,902,403	<b>915,691,876</b>	838,902,403
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# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2013*

## **11. (LOSS) EARNINGS PER SHARE (CONTINUED)**

Basic loss per share for the discontinued operation is RMB0.31 cents (for the six months ended 30th June, 2012: RMB0.46 cents), based on the loss for the period attributable to owners of the Company from the discontinued operation of RMB2,812,000 (for the six months ended 30th June, 2012: RMB3,897,000) and the denominators detailed above for basic loss per share.

The computation of the diluted loss per share for the six months ended 30th June, 2013 does not assume the exercise of the share options because they would result in reduction in loss per share.

The computation of the diluted earnings per share for the six months ended 30th June, 2012 does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares for the six months ended 30th June, 2012.

## **12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30th June, 2013, the Group incurred RMB23,428,000 (for the six months ended 30th June, 2012: RMB10,716,000) on the purchase of property, plant and equipment and recognised an impairment loss amounting to RMB19,215,000 (for the six months ended 30th June, 2012: nil). Impairment assessment is set out in note 13.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 13. MINING RIGHTS

	<i>RMB'000</i>
<hr/>	
COST	
At 1st January, 2013 and 30th June, 2013	<u>1,504,367</u>
AMORTISATION AND IMPAIRMENT	
At 1st January, 2013	547,834
Charge for the period	24,915
Impairment loss recognised in the period	<u>116,768</u>
At 30th June, 2013	<u>689,517</u>
CARRYING VALUE	
At 30th June, 2013	<u>814,850</u>
At 31st December, 2012	<u>956,533</u>

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. The Group's mining rights are expiring in the period from December 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.

# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2013*

## 13. MINING RIGHTS (CONTINUED)

During the six months ended 30th June, 2013, the management conducted an impairment review on the related assets of certain subsidiaries which are engaging in mining and processing of zinc and lead and located in Yunnan Province and Shannxi Province of the PRC, due to (1) continuing decline in market price of zinc and lead; and (2) the suspension of the operations of Yaoan Feilong Mining Co., Ltd. in view of the decline in metal price of zinc and lead and the loss making operational conditions. Management considered each subsidiary represents a separate CGU for the purpose of impairment testing.

For the purpose of the impairment testing, the management compared the value in use of the CGUs with the fair value less cost to sell of the CGUs 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 of the Company that reflect the net cash flows to be generated from the CGUs which represented the cash flows from the sales of the mineral concentrates from the production of the estimated minerals as extracted from the mines of each CGU less the estimated cost of the production of the mineral concentrates, at discount rates with a range of 18.73% to 22.73%. Other key assumptions for the value in use calculation relate production rate.

The value in use calculations of these CGUs as at 30th June, 2013 that are engaged in mining and processing of zinc and lead are less than the carrying amounts of the respective CGUs. Hence, aggregate impairment losses of RMB116,768,000 and RMB19,215,000 have been recognised on mining rights and production assets included in the Group's property, plant and equipment respectively.



# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2013*

## **14. DEPOSIT PAID FOR AN INVESTMENT**

During the six months ended 30th June, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited (“YDM”), entered into a 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”), a company incorporated in the British Virgin Islands, at US\$6 million (approximately RMB37,692,000); and New Aims Holdings Limited (“New Aims”), an independent third party and the original shareholder of Everwise shall subscribe for 40% (as enlarged upon completion of the Subscription Agreement) of the issued share capital of Everwise at US\$4 million (approximately RMB25,128,000). As at 30th June, 2013, pursuant to the Subscription Agreement, a deposit of US\$3 million (approximately RMB18,846,000) has been paid to Everwise. Everwise will incorporate a new subsidiary which will be principally engaged in the processing and exporting titanium slags in Vietnam.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 15. TRADE AND OTHER RECEIVABLES

	30.6.2013 RMB'000	31.12.2012 RMB'000
<b>Current</b>		
Trade receivables	41,327	59,699
Advance payments to suppliers	7,847	8,867
Contingent consideration receivable (Note 4)	45,125	20,731
Loan receivable (Note i)	50,250	—
Other receivables and prepayments	19,022	6,626
	<u>163,571</u>	<u>95,923</u>
<b>Non-current</b>		
Deferred consideration receivable (Note ii)	53,406	53,406
Amount due from Disposal Group (as defined in Note ii) (Note iii)	43,926	41,742
	<u>97,332</u>	<u>95,148</u>

Notes:

- (i) During the six months ended 30th June, 2013, YDM entered into a loan agreement (with supplemental agreement) ("Loan Agreement") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party which has the same ultimate shareholder of New Aims and Everwise. The term loan facility is up to US\$16 million (approximately RMB100,500,000) for a term of one year, which carries a fixed-sum of US\$1 million interest payable on the maturity date of the loan. The facility is secured by (1) a pledge of 60% equity interest in a company incorporated in Vietnam and (2) a charge of the entire issued share capital of Everwise as held by New Aims. The facility is also guaranteed by a personal guarantee executed by an independent third party. Up to 30th June, 2013, loan amount of US\$8 million (approximately RMB50,250,000) was drawn by Mineral Land and the drawdown amount is repayable after one year from the drawdown date in accordance with the terms of the Loan Agreement.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

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

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 at the end of the reporting period.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

- (iii) On 29th June, 2012, the Company and Feng Hua entered into a 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 from 30th June, 2012 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 at the end of the reporting period.

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 at the end of the reporting period.

As at 30th June, 2013, the non-current amount due from Disposal Group is carried at amortised cost. An imputed interest of RMB2,184,000 (for the six months ended 30th June, 2012: nil) was recognised as other income in profit or loss during the six months ended 30th June, 2013.

As at 30th June, 2013, 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.

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

	<b>30.6.2013</b>	31.12.2012
	<b>RMB'000</b>	RMB'000
0-60 days	<b>40,260</b>	56,861
121-180 days	—	1,067
Over 180 days	<b>1,067</b>	1,771
	<b>41,327</b>	59,699

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2013	31.12.2012
	RMB'000	RMB'000
<b>Current</b>		
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control (Note i)	25,318	20,639
Pingchuan Iron Mining Company Limited (Note ii)	—	9,816
Anhui Guan Hua Group Limited (Note iii)	582	582
	<u>25,900</u>	<u>31,037</u>
Trade nature	4,552	13,768
Non-trade nature	<u>21,348</u>	<u>17,269</u>
	<u>25,900</u>	<u>31,037</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 16. AMOUNTS DUE FROM/TO RELATED COMPANIES

(CONTINUED)

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:

	<b>30.6.2013</b>	31.12.2012
	<b>RMB'000</b>	RMB'000
0-60 days	<b>4,552</b>	3,952
Over 180 days	<b>—</b>	9,816
	<b>4,552</b>	13,768

The amounts due to related companies are non-trade nature, unsecured, interest-free and repayable on demand. At 30th June, 2013, an amount of RMB91,591,000 (31st December, 2012: RMB38,930,000) is due to Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise") which is a fellow subsidiary of the Company.

Notes:

- (i) Langfang Bureau is a non-controlling shareholder of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd. The amount is unsecured and interest-free and repayable on demand. The amount included trade balances of RMB4,552,000 (31st December, 2012: RMB3,952,000).
- (ii) Pingchuan Iron Mining Company Limited is a non-controlling shareholder of the Company's subsidiary, Liangshan Prefecture Yuechuan Mining Co., Limited ("Yuechuan Mining").
- (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.

# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2013*

## **17. ASSETS CLASSIFIED AS HELD FOR SALE**

On 27th May, 2013, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (“Disposal Agreement”) with certain third parties pursuant to which the Group has conditionally agreed to sell and the third parties have conditionally agreed to acquire the 49% equity interest in Yuechuan Mining. Yuechuan Mining is treated as non-wholly owned subsidiary of the Company, as the Group has the right to appoint a majority of the board of directors of Yuechuan Mining based on the relevant agreement and related articles of association. The cash consideration for the disposal is RMB56,990,000. The 49% equity interest in Yuechuan Mining is expected to be disposed of within twelve months from the end of the reporting period. All the assets and liabilities of Yuechuan Mining have been reclassified as assets held for sale and presented separately in the condensed consolidated statement of financial position as at 30th June, 2013. The sales proceeds exceed the carrying amount of the net assets and, accordingly, no impairment loss has been recognised.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 17. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

	<b>30.6.2013</b> <b>RMB'000</b>
Property, plant and equipment	637
Trade and other receivables	2,009
Bank balances and cash	<u>80,726</u>
Total assets classified held for sales	<u>83,372</u>
Trade and other payables (Note i)	<u>34,684</u>
Total liabilities directly associated with assets classified held for sales	<u>34,684</u>
Intragroup balance due from other group entity in the Group (Note ii)	<u>49,586</u>

Notes:

- (i) As at 30th June, 2013, a deposit of RMB34,000,000 had been received by Yuechuan Mining on behalf of the Group and deposited into Yuechuan Mining's bank account, and included in trade and other payables. The amount shall be released to the Group to satisfy the consideration in full upon the completion of the Disposal Agreement.
- (ii) The amount due from other entity in the Group to Yuechuan Mining will be repaid before the completion of the Disposal Agreement.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 18. TRADE AND OTHER PAYABLES

	<b>30.6.2013</b> <i>RMB'000</i>	31.12.2012 <i>RMB'000</i>
Trade payables	<b>7,043</b>	4,901
Other payables	<b>50,455</b>	59,341
	<b>57,498</b>	64,242

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

	<b>30.6.2013</b> <i>RMB'000</i>	31.12.2012 <i>RMB'000</i>
0-60 days	<b>4,511</b>	3,186
61-120 days	<b>1,083</b>	621
Over 120 days	<b>1,449</b>	1,094
	<b>7,043</b>	4,901

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 19. BANK BORROWINGS

	<b>2013</b> <b>RMB'000</b>	2012 RMB'000
Bank loans, repayable within one year* and shown under current liabilities	<b>206,144</b>	128,648

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

As at 30th June, 2013, bank loan amounting RMB68,348,000 (31st December, 2012: nil) is secured by the Company's equity interests in a subsidiary.

During the current interim period, the Group obtained new bank loans amounting RMB157,496,000 (31st December, 2012: RMB80,000,000).

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is 1.89% to 7.08% (31st December, 2012: 1.88% to 7.87%) per annum.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 20. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.10 each:			
Issued and fully paid			
At 1st January, 2012	686,768,907	68,677	64,874
Open offer ( <i>Note</i> )	<u>228,922,969</u>	<u>22,892</u>	<u>18,600</u>
At 30th June, 2012, 1st January, 2013 and 30th June, 2013	<u>915,691,876</u>	<u>91,569</u>	<u>83,474</u>

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 21. RELATED PARTY DISCLOSURES

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

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

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

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2013 RMB'000	30.6.2012 RMB'000
<i>Immediate holding company</i>			
Yue Da HK	Rentals paid on office premises and staff quarters by the Group	1,306	1,096
<i>Fellow subsidiary</i>			
Yue Da Enterprise	Rentals paid on staff quarter by the Group (Note)	121	97

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 21. RELATED PARTY DISCLOSURES (CONTINUED)

(i) (continued)

(a) (continued)

As at 30th June, 2013, 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 RMB90,000,000 (31st December, 2012: RMB100,000,000). The facilities are general working capital facilities and will expire in May 2014. As at 30th June, 2013, a total amount of RMB90,000,000 was utilised by the Group.

Details of the outstanding balance with Yue Da Enterprise is set out in Note 16.

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2013 RMB'000	30.6.2012 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group (Note)	1,448	2,018

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 21. RELATED PARTY DISCLOSURES (CONTINUED)

(i) (continued)

(b) (continued)

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 had 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. Such agreement was ended upon the expiry of the operating rights of toll highway and bridge during the six months ended 30th June, 2013.

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

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

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government related entities. The directors consider those government related entities are independent third parties so far as the Group's business transactions with them are concerned.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 21. RELATED PARTY DISCLOSURES (CONTINUED)

- (ii) Compensation of key management personnel:

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

	<b>Six months ended</b>	
	<b>30.6.2013</b>	30.6.2012
	<b>RMB'000</b>	RMB'000
Short-term benefits	<b>1,737</b>	1,606
Post-employment benefits	<b>323</b>	818
	<b>2,060</b>	2,424

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2013

## 22. CAPITAL COMMITMENTS

	<b>30.6.2013</b>	31.12.2012
	<b>RMB'000</b>	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>10,218</u>	<u>12,728</u>

Refer to note 14, as at 30th June, 2013, pursuant to the Subscription Agreement, YDM has an obligation to pay the remaining amount of US\$3 million (approximately RMB18,846,000) for the subscription of share capital of Everwise.

Apart from the above, on 13th May, 2013, Tong Ling Guan Hua, a non-wholly owned subsidiary of the Company, entered into a conditional agreement upon the approval by the State Administration for Industry and Commerce of the PRC to acquire 95% equity interest of Tong Ling Guan Hua Renewable Energy Company Limited ("Tong Ling Renewable") for a consideration of RMB12 million. Tong Ling Renewable is principally engaged in the processing and sale of tailings and leach residue of gold ores. As at the date of these condensed consolidation financial statements were authorized for issuance, the acquisition has been completed. The management is under the process of accessing the financial impact for the acquisition.



# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

Turnover and gross operating profit of Yue Da Mining Holdings Limited (“Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2013 (the “Period”) amounted to RMB133,840,000 and RMB40,593,000, representing a decrease of approximately 32.61% and 51.29% respectively, over the same period in 2012. The nonferrous metal market was challenging during the Period due to the uncertainties of the global economy. The Group faced a general decline in the price of zinc, lead and gold in the commodity market during the first half of 2013. The loss and total comprehensive expense attributable to the owners of the Company for the Period was RMB89,961,000 (corresponding period of last year: profit and total comprehensive income of RMB13,802,000) and basic loss per share was RMB9.83 cents (corresponding period of last year: basic earnings per share of RMB1.65 cents).

## INTERIM DIVIDEND

The board (“Board”) of directors (“Directors”) does not recommend the payment of any interim dividend during the Period.

## BUSINESS REVIEW

During the Period under review, the Group was principally engaged in exploration, mining and processing of metal minerals (the “Mining Operations”) and the operation of a toll road (the “Toll Road Operations”).

## MINING OPERATIONS

During the Period, the Mining Operations realized an operating revenue of RMB133,840,000 (corresponding period of last year: RMB198,602,000) with a segment loss of RMB116,835,000 (corresponding period of last year: segment profit of RMB64,197,000). The Mining Operations recorded an operating revenue of RMB133,840,000 (corresponding period of last year: RMB198,602,000) with a gross profit of RMB40,593,000 (corresponding period of last year: RMB83,334,000) and gross profit margin of approximately 30.33% (corresponding period of last year: 41.96%).

## Management Discussion and Analysis

The ores extracted during the Period amounted to 946,272 tons, representing an increase of 36.27% over 694,395 tons in the corresponding period of last year, with a unit mining cost (including gold ores) of approximately RMB45 per ton (corresponding period of last year: RMB53 per ton) and a unit processing cost (including gold ores) of approximately RMB37 per ton (corresponding period of last year: RMB43 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 2,636 metal tons (corresponding period of last year: 2,793 metal tons), lead ore concentrates of 672 metal tons (corresponding period of last year: 1,137 metal tons), silver of 230 kilograms (corresponding period of last year: 710 kilograms), iron ore concentrates of 70,598 tons (corresponding period of last year: 89,665 tons) and gold of 205.69 kilograms (corresponding period of last year: 228.25 kilograms). During the Period, the metal ore concentrates were sold at an average price of RMB7,509 per metal ton for zinc ore concentrates (corresponding period of last year: RMB8,319 per metal ton), RMB11,182 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB14,051 per metal ton), RMB653 per ton for iron ore concentrates (corresponding period of last year: RMB634 per ton) and RMB270 per gram of gold (corresponding period of last year: RMB325 per gram).

During the Period, Tengchong Ruitu Mining and Technology Company Limited (“Tengchong Ruitu”), a subsidiary of the Company, completed the construction of tailings main warehouse. The construction is expected to be fully completed by the end of the year, thus securing the normal production of its processing plant for over ten years in the future.

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 improving the grade and the extent of recovery of ore concentrates.

In May 2013, Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”), another subsidiary of the Company, having regard to (i) the decline of price of lead and silver in the past two years; and (ii) the fact that Yaoan Feilong has been making loss since 2011 and it is not likely to turnaround with profit within a short period of time, the Board has decided the suspension of the operations of Yaoan Feilong.

## Management Discussion and Analysis

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 also 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") which is the holder of mining rights of a gold mine and an exploration licence of an iron mine in Anhui Province, the PRC. During the Period, the performance of Tong Ling Guan Hua was affected by the drop in price of gold and the Group recognized a compensation of approximately RMB24,394,000 in relation to the shortfall of performance. Tong Ling Guan Hua still contributed significant revenue and profit to the Group during the Period.

Four strategic co-operation agreements with a term of 10 years were entered into by the Group with Zhuzhou Smelter Group Co. Limited ("Zhuzhou Smelter"), Yunnan Yuntong Zinc Alloy Company Limited ("Yunnan Yuntong"), Panzhihua Steel Group International Economic Trading Company Limited ("Panzhihua Steel") and Wugang Group Kunming Iron and Steel Company Limited, a subsidiary of Wuhan Iron and Steel (Group) Corp. ("Wugang"). The above agreements continued to be in force and had a significant contribution to the revenue of the Group during the Period.

### TOLL ROAD OPERATIONS

Wen An Section of the National Highway 106 in Hebei Province (the "Wen An Section") is located in Langfang, Hebei Province and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) was 8,045 during the period from January to May 2013 (January 2012 to June 2012: 10,285). The operating revenue achieved RMB8,042,000 and recorded a loss of RMB5,514,000.

Upon the expiry of the operation rights of Wen An Section in May 2013, the Group ceased the Toll Road Operations.

# Management Discussion and Analysis

## PROSPECTS

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improving and enhancing explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximize explosive effects. Such measures aim at raising production capacity of the Group's existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further focus on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates. Through the completion of the project of upgrading technology and enhancing production capacity of the processing plant operated by Tengchong Ruitu, the commencement of production of mine No. 10 as planned, the smooth progress made by Baoshan Feilong in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter, Yunnan Yuntong, Panzhihua Steel and Wugang, the Group has built a concrete foundation of 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.

Looking forward to the second half of 2013, the environment for the mining business is expected to be as difficult as in the first half of 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 targets 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.

# Management Discussion and Analysis

## IMPORTANT EVENTS DURING THE PERIOD

### **Acquisition of 95% interests in a PRC Company**

On 13th May, 2013, Tong Ling Guan Hua, a non-wholly owned subsidiary of the Company, entered into a conditional agreement to acquire 95% equity interest of Tong Ling Guan Hua Renewable Energy Company Limited (“Tong Ling Renewable”) for a consideration of RMB12 million. Tong Ling Renewable is principally engaged in the processing and sale of tailings and leach residue of gold ores. When the acquisition is completed, the tailings and residues remained after the mining and processing of gold ores by Tong Ling Guan Hua will be used by Tong Ling Renewable for its further processing and sale, which is expected to generate further revenue for the Group. As at 30th June, 2013, the acquisition of Tong Ling Renewable was not completed.

### **Proposed investment in Vietnam companies**

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 an option to YDM to enter into a sale and purchase agreement 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).

## Management Discussion and Analysis

Please refer to the circular of the Company dated 17th April, 2013 for details of the above transaction. As at 30th June, 2013, the completion of the Subscription Agreement has not taken place.

### **Disposal of 49% equity interests in Liangshan Prefecture Yuechuan Mining Co., Limited (Yuechuan Mining”)**

On 27th May, 2013, Yue Da Pingchuan Limited, a wholly owned subsidiary of the Company, entered into a conditional sale and purchase agreement for the disposal of 49% equity interest in Yuechuan Mining for a consideration of RMB56.99 million. Upon completion of such disposal, Yuechuan Mining will cease to be a subsidiary of the Company. As at 30th June, 2013, the disposal is not yet completed.

### **Impairment Losses on Assets and Available-for-Sale Investments**

During the Period, the Mining Operations segment recorded an impairment losses on mining rights and property, plant and equipment of RMB116,768,000 and RMB19,215,000 respectively, on the related assets of certain subsidiaries which are engaging in mining and processing of zinc and lead and located in Yunnan Province and Shannxi Province of the PRC, due to (1) continuing decline in the price of zinc and lead in the commodity market and (2) the suspension of the operations of Yaoan Feilong.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2013, the Group's current assets were RMB510,302,000 (31st December, 2012: RMB356,728,000), of which RMB203,094,000 (31st December, 2012: RMB191,527,000) were bank balances and cash on hand. As at 30th June, 2013, the net asset value of the Group amounted to RMB977,840,000, representing a decrease of approximately 8.06% as compared to RMB1,063,612,000 at 31st December, 2012. The gearing ratio (total liabilities/ total assets) of the Group was approximately 38.90% (31st December, 2012: 32.55%).

## Management Discussion and Analysis

As at 30th June, 2013, the share capital of the Company was RMB83,474,000 (31st December, 2012: RMB83,474,000). The Company's reserve and minority interests were RMB721,749,000 (31st December, 2012: RMB811,207,000) and RMB172,617,000 (31st December, 2012: RMB168,931,000) respectively. As at 30th June, 2013, the Group had total current liabilities of RMB402,297,000 (31st December, 2012: RMB253,763,000), mainly comprising bank borrowing, trade and other payables and amount due to related companies. The total non-current liabilities of the Group amounted to RMB220,266,000 (31st December, 2012: RMB259,503,000), which were mainly provisions and deferred tax liabilities.

During the Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate is minimal and thus the Group does not have a hedging policy in this regard.

### CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include amount due to related companies, 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 associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi and Hong Kong dollars. During the Period, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal.

The Group recorded a net exchange gain amounting to RMB2,184,000 during the Period. The Group was not engaged in any hedging by financial instruments in relation to the exchange rate risk.

# Management Discussion and Analysis

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

As at 30th June, 2013, except for the guarantees and charges in the amount of RMB68,348,000 provided to China Merchants Bank by the Group, the Group did not have any guarantees and charges nor any other material contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2013, the Group had a total of approximately 1,258 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 Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.



## **Other Information**

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

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

### **THE CORPORATE GOVERNANCE CODE**

In the opinion of the Board, the Group has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") throughout the Period, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 14th June, 2013 (the "2012 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 2012 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 2012 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 2012 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 Period.

### AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (a non-executive Director) and Mr. Cui Shuming (an independent non-executive Director). Duties of the audit committee include reviewing all matters relating to the scope of audit, such as the financial statements and internal control, with an aim to safeguarding the interest of the shareholders of the Company. At a meeting held on 29th August, 2013, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period, and discussed matters relating to audit, internal control and financial reporting with the management.

### REMUNERATION COMMITTEE

The Company has set up 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.

## Other Information

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

As at 30th June, 2013, the interests of each Director and their associates in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the company/ associated corporation	Capacity	Number of ordinary shares of the Company ("Shares") <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Dong Li Yong	The Company	Beneficial owner	3,000,000	0.33%
	The Company	Beneficial owner	1,489,352 <i>(Note 2)</i>	0.16%
	The Company	Beneficial owner	3,183,600 <i>(Note 3)</i>	0.35%
Liu Xiao Guang	The Company	Beneficial owner	800,000	0.09%
	The Company	Beneficial owner	744,676 <i>(Note 2)</i>	0.08%
	The Company	Beneficial owner	1,591,800 <i>(Note 3)</i>	0.17%

## Other Information

Name	Name of the company/ associated corporation	Capacity	Number of ordinary shares of the Company ("Shares") <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Hu Huaimin	The Company	Beneficial owner	1,130,666	0.12%
	The Company	Beneficial owner	1,179,070 <i>(Note 2)</i>	0.13%
	The Company	Beneficial owner	1,591,800 <i>(Note 3)</i>	0.17%
Chen Yunhua	The Company	Beneficial owner	3,820,320 <i>(Note 3)</i>	0.42%
	The Company	Beneficial owner	1,591,800 <i>(Note 4)</i>	0.17%
Qi Guang Ya	The Company	Beneficial owner	744,676 <i>(Note 2)</i>	0.08%
	The Company	Beneficial owner	1,273,440 <i>(Note 3)</i>	0.14%

## Other Information

Notes:

1. All interests in the Shares and underlying shares of the Company were long positions. None of the Directors held any short position in the Shares and underlying shares of the Company.
2. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 27th May, 2009 under the share option scheme of the Company with an exercise price of HK\$0.854 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.
3. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Directors on 30th January, 2012 under the share option scheme of the Company with an exercise price of HK\$0.5503 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.
4. These Shares represent Shares which would be allotted and issued upon the exercise in full of the options granted to the relevant Director on 19th April, 2010 under the share option scheme of the Company with an exercise price of HK\$1.617 per Share. Details of which were included in the section headed "Share Option Scheme" of this report.

Save as disclosed above and in this interim report, as at 30th June, 2013, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company's associated corporations.

## Other Information

### SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2013, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

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

Notes:

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

## Other Information

### SHARE OPTION SCHEME

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

	<b>Date of grant</b>	<b>Exercise price</b>	<b>Exercisable period</b>	<b>Outstanding at 1st January, 2013</b>	<b>Lapsed during the Period</b>	<b>Outstanding at 30th June, 2013</b>
		<i>per share</i>				
		<i>HK\$</i>				
Directors of	27th May, 2009	0.854	28th May, 2009 - 26th May, 2019	1,179,069	—	1,179,069
the Company	9th July, 2009	0.854	9th July, 2009 - 24th May, 2018	2,978,705	—	2,978,705
	19th April, 2010	1.617	20th April, 2010 - 19th April, 2020	1,591,800	—	1,591,800
	30th January, 2012	0.5503	1st April, 2012 - 29th January, 2017	4,584,384	—	4,584,384
	30th January, 2012	0.5503	1st April, 2013 - 29th January, 2017	3,438,288	—	3,438,288
	30th January, 2012	0.5503	1st April, 2014 - 29th January, 2017	3,438,288	—	3,438,288
				<u>17,210,534</u>	<u>—</u>	<u>17,210,534</u>

## Other Information

		Exercise price	Exerciseable period	Outstanding at 1st January, 2013	Lapsed during the Period	Outstanding at 30th June, 2013	
Date of grant	per share						
		HK\$					
Employees	27th May, 2009	0.854	28th May, 2009 - 26th May, 2019	2,778,875	(99,290)	2,679,585	
	9th July, 2009	0.854	9th July, 2009 - 24th May, 2018	4,691,456	(148,935)	4,542,521	
	19th April, 2010	1.617	20th April, 2010 - 19th April, 2020	742,840	—	742,840	
	19th April, 2010	1.617	20th April, 2011 - 19th April, 2020	159,180	—	159,180	
	19th April, 2010	1.617	20th April, 2012 - 19th April, 2020	159,180	—	159,180	
	16th December, 2010	1.2721	17th December, 2010 - 16th December, 2020	152,812	—	152,812	
	16th December, 2010	1.2721	17th December, 2011 - 16th December, 2020	114,609	—	114,609	
	16th December, 2010	1.2721	17th December, 2012 - 16th December, 2020	114,609	—	114,609	
	30th January, 2012	0.5503	1st April, 2012 - 29th January, 2017	6,239,856	(424,479)	5,815,377	
	30th January, 2012	0.5503	1st April, 2013 - 29th January, 2017	4,679,892	(318,360)	4,361,532	
	30th January, 2012	0.5503	1st April, 2014 - 29th January, 2017	4,679,892	(318,360)	4,361,532	
					<u>24,513,201</u>	<u>(1,309,424)</u>	<u>23,203,777</u>
	Total				<u>41,723,735</u>	<u>(1,309,424)</u>	<u>40,414,311</u>
Exercisable at the end of the Period				<u>25,487,375</u>		<u>32,614,491</u>	
Weighted average exercise price (HK\$)				<u>0.71</u>		<u>0.71</u>	



## Other Information

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

<i>Executive Directors</i>	<i>Non-executive Directors</i>	<i>Independent non-executive Directors</i>
<b>Dong Li Yong</b> <b>Liu Xiao Guang</b> <b>Hu Huaimin</b>	<b>Chen Yunhua</b> <b>Qi Guang Ya</b>	<b>Leung Mei Han</b> <b>Cui Shu Ming</b> <b>Liu Yongping</b> <b>Han Run Sheng</b>

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

Hong Kong, 29th August, 2013