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

Stock Code : 629

Annual Report 2014

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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:

Non-executive directors

Mr. Wang Lianchun (Chairman of the board) and Mr. Qi Guangya

Executive directors

Mr. Hu Huaimin and Mr. Bai Zhaoxiang

Independent non-executive directors

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

AUDIT COMMITTEE:

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

REMUNERATION COMMITTEE:

Mr. Cui Shuming (Chairman), Mr. Hu Huaimin and Dr. Liu Yong Ping

NOMINATION COMMITTEE:

Mr. Cui Shuming (Chairman), Mr. Hu Huaimin, Ms. Leung Mei Han and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin
Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Ong Chi King

INDEPENDENT AUDITOR:

Deloitte Touche Tohmatsu,
Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

JUN HE LAW OFFICES

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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
Bank of Communication
Standard Chartered Bank
Dah Sing Bank

Chairman's Statement

"The Mining Operations recorded an audited operating revenue of RMB134,782,000 for the year ended 31st December, 2014. The audited total assets of the Group amounted to RMB1,100,842,000 as at 31st December, 2014."

Wang Lianchun
Chairman

On behalf of the board ("Board") of directors ("Directors") of Yue Da Mining Holdings Limited (the "Company"), I am pleased to present to the shareholders the results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2014 (the "Year").

FINANCIAL PERFORMANCE

Turnover of the Group for the Year amounted to RMB134,782,000, representing a decrease of approximately 29.5%, over the year ended 31st December, 2013 ("2013"). Gross Loss amounted to RMB10,251,000 in the Year as compared to gross profit of RMB23,481,000 in 2013. Audited loss and total comprehensive expenses attribute to the owners of the Company for the Year amounted to RMB223,996,000 (2013: RMB141,351,000) and basic loss per share amounted to RMB24.46 cents for the Year.

BUSINESS DEVELOPMENT

During the Year, the Group was principally engaged in exploration, mining and processing of metal minerals (the "Mining Operations") in the People's Republic of China ("PRC").

Mining Operations

The commodity market was challenging during the Year due to the uncertainties of the global economy. The Group faced a general decline in the price of gold, iron and lead in the international commodity market during the Year. As a result, both revenue and segment results of Mining Operations have decreased.

During the Year, production of Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu"), a subsidiary of the Company, was temporary suspended from June 2014 to November 2014 in order to facilitate safety inspection. The production of Tengchong Ruitu has resumed to normal since 13th November, 2014.

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 production of Baoshan Feilong has become normal before 30th June, 2014.

Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") and Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining"), both are subsidiaries of the Company, have been suspended due to the weak metal market.

During the Year, the performance of Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), a subsidiary of the Company, was affected by its technology improvement and optimization of production process in the first half of the Year. The productions of Tong Ling Guan Hua have been back to normal before 30th June, 2014.

To maintain recurring sales and cash flows 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. 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 so as to reduce the effect of increasing production costs due to higher safety and environmental standard in the PRC.

Looking forward to 2015, the environment for the mining business is expected to be as difficult as in 2014. In 2015, 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 cash flow 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

Wang Lianchun
Chairman

Hong Kong, 30th March, 2015

Management Discussion and Analysis

The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 3,881.98 metal tons, lead ore concentrates (including silver) of 792.93 metal tons, iron ore concentrates of 42,037.18 tons, gold of 36.36 kilograms and stone for construction of 1,133,465.84 tons.

FINANCIAL HIGHLIGHTS

The Group recorded an operating revenue of RMB134,782,000 in the Year, representing a decrease of approximately 29.5% from RMB191,133,000 in 2013. Gross loss amounted to RMB10,251,000 in the Year as compared to gross profit of RMB23,481,000 in 2013. The commodity market was challenging during the Year due to the uncertainties of the global economy. The Group faced a general decline in the price of gold, iron and lead in the international commodity market during the Year. Affected by the impairment of mining rights and property, plant and equipment of the Group of RMB170,027,000 and RMB49,795,000 respectively, audited loss and total comprehensive expense attributable to the owners of the Company for the Year amounted to RMB223,996,000 (corresponding period of last year: RMB141,351,000) and basic loss per share amounted to RMB24.46 cents for the Year.

DIVIDENDS

The Board did not recommend the payment of any final dividend for the Year (2013: nil).

BUSINESS REVIEW

Overview

The Group was principally engaged in the Mining Operations. During the Year, the Mining Operations realized an operating revenue of RMB134,782,000 with a segment loss of RMB266,459,000.

Mining Operations

During the Year, the Mining Operations recorded an operating revenue of RMB134,782,000 (corresponding period of 2013: RMB191,133,000) with a gross loss of RMB10,251,000 (corresponding period of 2013: gross profit of RMB23,481,000). The ores extracted during the Year amounted to 1,581,654 tons with a unit mining cost (excluding gold ores) of approximately RMB157.2 per ton (2013: RMB121.7 per ton) and a unit processing cost (excluding gold ores) of approximately RMB134.8 per ton (2013: RMB93.7 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 3,881.98 metal tons, lead ore concentrates (including silver) of 792.93 metal tons, iron ore concentrates of 42,037.18 tons, gold of 36.36 kilograms and stone for construction of 1,133,465.84 tons. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB7,344.34 per metal ton for zinc ore concentrates, RMB11,300.19 per metal ton for lead ore concentrates (with silver content), RMB611.88 per ton for iron ore concentrates, RMB246.93 per gram of gold and RMB28.9 per ton of stone for construction.

The following table summaries the operating performance of each mining company during the Year:

Name of subsidiary	Products	Production figures	Turnover *RMB'000*	Proportion of the Group (%)	Gross Profit/ (Loss) *RMB'000*	Proportion of the Group (%)
Baoshan Feilong	Lead ore concentrates	792.93 metric tons	35,796	26.56	3,781	(36.89)
	Zinc ore concentrates	3,881.98 metric tons				
	Copper ore concentrates	86.94 metric tons				
Tengchong Ruitu	Metal ore concentrates	42,037.18 tons	32,347	24.00	(3,883)	37.88
Tong Ling Guan Hua	Gold	36.36 kilograms	64,212	47.64	(10,545)	102.87
	Other (Stone)	1,133,465.84 tons				
Daqian Mining	Production has been suspended		—	—	—	—
Yaoan Feilong	Production has been suspended		2,427	1.80	396	(3.86)
Total			134,782	100	(10,251)	100

Impairment Losses on Assets

During the Year, the Mining Operations segment recorded an impairment losses on mining rights and property, plant and equipment of RMB170,027,000 (2013: RMB116,768,000) and RMB49,795,000 (2013: RMB19,215,000) respectively, on the related assets of certain subsidiaries including Tengchong Ruitu, Baoshan Feilong, Yaoan Feilong, Daqian Mining and Tong Ling Guan Hua, principally due to (i) a general decline in the price of gold, iron and lead in the international commodity market during the Year and the related price outlook; (ii) the tightening of safety and environmental requirements by government of the People's Republic of China on mining industry which increased the complexity of production processes and thus increased the direct production costs; and (iii) the general increase in raw materials and production costs during the Year.

The Group currently holds 49% interests in Weng Niu Te Qi San Xiang Mining Co., Ltd., Weng Niu Te Qi Xiang Da Mining Co., Ltd., and Chi Feng Yi Da Mining Co., Ltd., (collectively the "Weng Qi Group"), and recorded the investment costs and related shareholder's loans as available-for-sale investments and other receivables, respectively. The principal assets of Weng Qi Group include a zinc and lead mine and a processing factory in Wengniute Banner, Inner Mongolia. Principally due to (i) a general decline in the price of lead in the international commodity market during the Year and the related price outlook; (ii) the tightening of safety and environmental requirements by government of the People's Republic of China on mining industry which increased the complexity of production processes and thus increased the direct production costs; (iii) the general increase in raw materials and production costs during the Year; and (iv) adjustment to future production schedule due to the weak commodity market, impairment losses on (a) available-for-sale investments; and (b) other receivable for Weng Qi Group of approximately RMB11,123,000 and RMB11,384,000, respectively were recorded on the consolidated financial statement of the Group for the Year. No impairment losses on available-for-sale investments and other receivables were recorded in respect of the Weng Qi Group for the year ended 31st December, 2013.

IMPORTANT EVENTS DURING THE YEAR

INVESTMENT IN VIETNAM

Proposed investment in a Vietnam slag factory

On 21st January, 2013, the Company announced that Yue Da Mining Limited ("YDM"), a wholly owned subsidiary of the Company, 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 ("New Aims") 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 ("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) a call option deed ("Call Option Deed") pursuant to which 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). The Call Option Deed lapsed on 31st December, 2014.

As at the date of this report, YDM has paid a deposit of US$3 million ("Everwise Deposit") under the Subscription Agreement. The Subscription Agreement lapsed on 31st December, 2014 and the Everwise Deposit should be repaid to YDM on or before 12th January, 2015.

As at the date of this report, YDM has a sum of US$9 million (comprising principal sum of US$8 million plus accrual interest of US$1 million) (the "Loan") advanced to Mineral Land, the Loan was due on 23rd January, 2015. As at the date of this report, the Loan has not been repaid.

The Group has recently received letters (the "Letters") from a law firm purporting to be representing (among other parties) Mineral Land, Everwise, and New Aims making allegations against the Group that the Group breached the terms of the Loan Agreement by failing to advance a further loan in the sum of US$8 million for the purchase of production equipment, payment of fees for acquiring mining rights and slag manufacturing rights, and also demanding the release by the Group of the relevant collaterals under the Loan Agreement ("Slag Factory Dispute"). Management of the Group believes that the allegations are groundless or unfounded.

Please refer to the circular of the Company dated 17th April, 2013 and the announcements of the Company dated 17th October, 2013, 23rd January, 2014, 30th June, 2014, 24th December, 2014 and 5th January, 2015 for details of the above transactions.

Proposed acquisition of the entire equity interests in a Vietnam mining company

On 5th September, 2013, the Company announced that YDM entered into a conditional sale and purchase agreement with Ms. Truong Thi Kim Soan (the "Vendor") to acquire 100% equity interests and related shareholder's loan of Expert Union Investments Limited and Sky Modern Investments Limited ("Target Companies") at a consideration of US$34 million (subject to adjustment) ("Acquisition Agreement"). The principal asset of the Target Companies is 100% equity interests in Sao Mai Joint Stock Company ("Sao Mai"), a Vietnam company principally engaged in the exploration of the mine which contain ilmenite, zircon, rutile and monazite ore deposits located in Hong Phong Ward and Hoa Thang Ward, Bac Binh District, Binh Thuan Province, Vietnam, which covers an aggregate site area of not less than 320 hectares, where the mining license in respect of which is to be held by Sao Mai.

As at the date of this report, YDM has paid US$7 million deposits ("Sao Mai Deposit") under the Acquisition Agreement. The Acquisition Agreement lapsed on 15th November, 2014 and the Sao Mai Deposit should be repaid to YDM on or before 14th December, 2014. As at the date of this report, the Sao Mai Deposit has not been repaid.

In addition, the Group has received Letters from the law firm purporting to be representing (among other parties) the Vendor, making allegations against the Group and asserting that the Group is not entitled to seek repayment of the Sao Mai Deposits ("Sao Mai Dispute"). Management of the Group believes that the allegations are groundless or unfounded.

Please refer to the announcements of the Company dated 5th September, 2013, 30th June, 2014 and 24th December, 2014 for details of the above transaction.

Slag Factory Dispute and Sao Mai Dispute

The Group is seeking legal advice on the Slag Factory Dispute and Sao Mai Dispute and planning to take all necessary and appropriate actions to protect the legitimate rights of the Group.

On 27th March, 2015, YDM and the Vendor have reached the following understandings (which were recorded on a memorandum of understanding) in respect of the followings:

(a) The Vendor owes YDM the Sao Mai Deposit under the Acquisition Agreement;

(b) Both party aim at on or before 1st June, 2015, agree on the schedule and the manner of repayment of Sao Mai Deposit;

(c) If the Sao Mai Deposit cannot be repaid in accordance with (b) above, interest shall accrue thereon and be calculated in accordance with the terms of the Acquisition Agreement or at a rate or in an amount agreed by the parties in writing.

STRATEGY ON AVAILABLE-FOR-SALE INVESTMENTS

On 16th August, 2011, YDM entered into a disposal agreement with Feng Hua Group Limited to dispose 41.1% equity interests and related shareholder's loan of Weng Qi Group at a total consideration of RMB91,000,000. The disposal was completed on 30th December, 2011. The remaining 49% interests and related shareholder's loan of the Weng Qi Group is currently record by the Group as available-for-sale investments and other receivable. We are now under negotiation with third party for the possibility of disposal of the available-for-sale investments and related shareholder's loan ("Disposal") and will make further announcement when necessary.

As at the date of this report, there is no definite plan with respect to the Disposal so that it may or may not materialize.

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. The disposal was completed during the year.

Prospect

As mentioned in the 2014 interim report of the Company, the environment for the mining business in the second half of 2014 was as difficult as in the first half of 2014. Nevertheless, the Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods. 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 so as to reduce the effect of increasing production costs due to higher safety and environmental standard in the People's Republic of China. Through completion of the project of technology improvement and optimization of production process of the processing plants operated by Baoshan Feilong and Tong Ling Guan Hua 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.

Looking forward to 2015, the environment for the mining business is expected to be as difficult as in 2014. On the 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 cash flow 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.

In light of the recent business environment and financial condition of the Group, the Directors endeavor to seek suitable business opportunities to diversify the Group's existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27th May, 2015 to 29th May, 2015, 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 29th May, 2015, 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 26th May, 2015.

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, 2014, the Group's current assets were RMB325,988,000 (2013: RMB420,317,000), of which RMB23,520,000 (2013: RMB85,974,000) were bank balances and cash. As at 31st December, 2014, the net asset value of the Group amounted to RMB617,518,000, representing a decrease of approximately 32.8% as compared to RMB919,440,000 in 2013. The gearing ratio (total liabilities/total assets) of the Group was approximately 43.9% (2013: 39.1%).

As at 31st December, 2014, the issued share capital of the Company was RMB83,474,000 (2013: RMB83,474,000). The Company's reserve and non-controlling interests were RMB446,078,000 (2013: RMB670,619,000) and RMB87,966,000 (2013: RMB165,347,000), respectively. As at 31st December, 2014, the Group had total current liabilities of RMB340,576,000 (2013: RMB373,472,000), 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 RMB142,748,000 (2013: RMB216,545,000), 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, 2014, save as disclosed in note 46 to the consolidated financial statements, deposit amounting to RMB100,540,000 (2013: 73,750,000) is pledged to secure short term bank loan, the Group did not have any guarantees and charges nor any other material contingent liabilities.

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.

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.

The Group recorded a net exchange gain amounting to RMB47,000 during the Year. The Group was not engaged in any hedging by financial instruments in relation to the exchange rate risk.

EMPLOYEE AND REMUNERATION POLICY

As at 31st December, 2014, the Group had a total of approximately 1,023 employees (where they were located in Hong Kong and the PRC), engaged in management, administration 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

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 12th

June, 2014 (the "2013 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 2013 AGM; (ii) Mr. Chen Yunhua and Mr. Qi Guangya both being non-executive Directors, Mr. Han Run Sheng and Mr. Liu Yongping both being independent non-executive Directors were not able to attend the 2013 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 2013 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 Articles of Association.

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 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 30th March, 2015, 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. Liu Yongping (an independent non-executive Director) and Mr. Hu Huaimin (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. Hu Huaimin (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.

In the opinion of the Board, the Group has complied with all of the code provisions of the Corporate Governance Code ("Code") as set out in Appendix 14 to the Listing Rules throughout the Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting of the Company held on 12th June, 2014 (the "2013 AGM") (deviated from code provision E.1.2) due to his other business commitment. Nevertheless, one of the independent non-executive Directors attended and acted as the chairman of the 2013 AGM; (ii) Mr. Chen Yunhua and Mr. Qi Guangya both being non-executive Directors, Mr. Han Run Sheng and Mr. Liu Yongping, both being independent non-executive Directors were not able to attend the 2013 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 2013 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 Articles of Association.

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.

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	Nomination Committee
Number of meetings held	4	2	2	2
Attendance				
Chairman and non-executive director				
Wang Lianchun (Note 1)	(0/0)			
Chen Yunhua (Note 2)	2			
Non-executive director				
Qi Guangya	3	2		
Dong Li Yong (Note 3)	3			
Executive Director				
Hu Huaimin	4			
Liu Xiaoguang (Note 4)	2			
Bai Zhaoxiang (Note 5)	(0/0)			
Independent Non-executive Directors				
Leung Mei Han	3	2		2
Cui Shuming	2	1	2	2
Liu Yongping	2		1	2
Han Runsheng (Note 6)	(1/1)		(1/1)	

Note 1: Mr. Wang Lianchun was appointed as non-executive director and Chairman of the Board with effect from 5th January, 2015.

Note 2: Mr. Chen Yunhua tendered his resignation as non-executive director and Chairman with effect from 5th January, 2015.

Note 3: Mr. Dong Li Yong tendered his resignation as non-executive director with effect from 5th January, 2015.

Note 4: Mr. Liu Xiaoguang tendered his resignation as executive director with effect from 25th March, 2015.

Note 5: Mr. Bai Zhaoxiang was appointment as finance director with effect from 10th October, 2014.

Note 6: Mr. Han Runsheng tendered his resignation as independent non-executive director with effect from 12th June, 2014.

Every director has sufficient time and attention to deal with the affairs of the Group. The Board considers the composition of executive directors and independent non-executive directors is rational and appropriate and provides adequate checks and balances to safeguard the interests of shareholders and the Group.

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. Members of the Board, with different backgrounds and possessing different expertise, have extensive experience in corporate planning and operation management, capital market, financial accounting, auditing and so forth as a whole.

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 that all the independent non-executive Directors are independent.

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

The Company encourages 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 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 Code A6.5 and have attended training on topics such as update on the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

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 for this purpose.

CHAIRMAN AND CHIEF EXECUTIVE

The roles of chairman and chief executive are separated 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 present Chairman of the Board, Mr. Wang Lianchun, 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 appropriate steps be 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. Hu Huaimin is responsible for the overall business operations of the Group focusing on strategic planning and business development.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as provided in Appendix 10 to the Listing Rules. All Directors of the Company, in response to the specific enquiries made by the Company, confirmed that they have 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 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 articles of association. Mr. Wang Lianchun has been appointed as Chairman of the board and non-executive Director on 5th January, 2015 following the retirement of Mr. Chen Yunhua.

Directors' responsibility for the Financial Statements

The Directors acknowledge their responsibility for overseeing the preparation of the financial statements of the Group for the year ended 31st December 2014. The Directors ensure the financial statements of the Group be 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 inside 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 31st December 2014 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 31st December 2014, the remuneration paid/payable to the external auditor of the Company were approximately HK$4.1 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 30th June 2014	HK$1,500,000
Review of continuing connected transactions	HK$50,000

The Company has adopted a board diversity policy ("the Policy") which sets out the approach to achieve and maintain diversity on the Board in order to maintain a competitive advantage of the Board. Pursuant to Policy, the Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities. The Board will from time to time consider to set measurable objectives to implement the

Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objective. During the Year, the Board has not set any measurable objectives to implement the Policy.

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, both 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 Shu Ming (Chairman of the Remuneration Committee, an independent non-executive Director), Mr. Liu Yongping (an independent non-executive Director) and Mr. Hu Huaimin (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 two meetings during the year ended 31st December 2014, in the meetings, the Remuneration Committee reviewed and recommended (i) the remuneration package of Directors; and (ii) adjustment of the fees for certain directors.

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. Hu Huaimin (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, two meetings were held 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 finance director 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 consultancy firm in respect of the designated scope as deemed necessary by the Audit Committee, to engage a consultancy 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.

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 the 2013 AGM, at which a separate resolution was proposed in respect of each motion.

The procedures for and the rights of shareholders to demand for 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.

To put forward proposals at an annual general meeting or an extraordinary general meeting, the shareholders shall submit a written notice of those proposals with the detailed contact information to the company secretary of the Company at the Company’s registered office.

The request will be verified with the Company’s branch share registrar in Hong Kong and upon its confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to include the resolution in the agenda for the general meeting.

Moreover, the notice period concerning the notice to be given to all the shareholders for consideration of the proposals submitted by the shareholders concerned varies as follows pursuant to article 65 of the articles of association of the Company:

(a) for an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered, it shall be called by at least 21 days’ notice in writing; and

(b) for all other extraordinary general meetings, they may be called by not less than 14 days’ notice in writing.

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 Market Misconduct Tribunal (“MMT”) case

On 3rd April, 2012 or thereabout, the Company received (and was also by a former director of the Company of his receipt) of a notice that the MMT was directed to conduct proceedings (“Proceedings”) and determine (a) whether any market misconduct (in the nature of false trading, price rigging and/or stock market manipulation) has taken place arising out of dealings in the securities of the Company during the period between 12 November 2007 and 12 September 2008 (the “Period”); (b) the identity of the person(s) who has engaged in the alleged market misconduct; and (c) the amount of any profit gained or loss avoided, if any, as a result of the alleged market misconduct. The persons specified in the above notice are: (i) Yue Da Group (HK) Company Limited (“YDHK”), a substantial shareholder of the Company; (ii) a former director of YDHK; (iii) a former employee of the Company; (iv) the Company, and (v) a former director of the Company.

On 9th May, 2014, the MMT released its Part 1 report. According to the Part 1 report, the MMT has determined that (among others) (i) the identity of the persons who engaged in market misconduct in the relevant period as specified in the report are YDHK, the former director of YDHK, the former employee of the Company and the Company; and (ii) the former director of the Company is not found culpable of market misconduct.

The full report is available at the following link:
http://www.mmt.gov.hk/eng/reports/Yue_Da_Mining_Holdings_Limited_Report_Part_I_e.pdf.

The amount of any profit gained or loss avoided, if any, as a result of the market misconduct as mentioned above is not yet issued as at the date of this report.

In view of the above, the Company has taken measures to strengthen the cash payment cycle and other internal control system.

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 articles of association.

Biographical Details of Directors

EXECUTIVE DIRECTORS:

Mr. Hu Huaimin, aged 41, joined the Group in January 2007 and is the chief executive officer of the Company. His major job responsibilities include the overall business operations of the Group focusing on strategic planning and business development. Mr. Hu graduated from the Law School of Nanjing University and is qualified as a Chinese lawyer and an economist. He has over 20 years of experience in the PRC legal practice, corporate legal affairs, investment project operation and management. Mr. Hu is a director of each of Yue Da Mining Limited, Yue Da Infrastructure Limited and fifteen other subsidiaries of the Group.

Mr. Bai Zhaoxiang, aged 52, joined the Group in August 2008. Mr. Bai is a college graduate majoring in industrial accounting and a senior accountant in the PRC. Mr. Bai is the head of Finance Department of the Company responsible for all accounting and financial matters of the Group. Mr. Bai has over 30 years' of experience in accounting. Prior to his joining of the Company, Mr. Bai worked as a financial controller of a foreign-invested enterprise in the PRC for about 13 years and has been working as the finance manager in Yue Da Group (HK) Company Limited, a substantial shareholder of the Company, since 2008. Mr. Bai is a director of each of Yue Da Mining Limited, Yue Da Infrastructure Limited and sixteen other subsidiaries of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Wang Lianchun, aged 44, joined the group in January, 2015, and is the chairman of the Board of the Company. Mr. Wang is also the chairman, the executive director of Jiangsu Yueda Investment Co. Ltd (江蘇悅達投資股份有限公司) (Stock Code: SHA600805), a company listed on the Shanghai Stock Exchange. Mr. Wang obtained a graduate diploma from Jiangsu Provincial Committee Party School. He started working in August 1988. He was the deputy party secretary of Yifeng town, suburb of Yancheng city; the deputy party secretary, mayor and party secretary of Louwang town, Yandu county; a member of the Standing Committee of the City Committee; the head of the Publicity Department and executive vice mayor of Dafeng city; the deputy secretary, acting chief and chief of Funing county; the deputy secretary-general of the Yancheng municipal government; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic and Development Zone; the director of the Management Committee and the deputy secretary of the Working Committee of Yancheng Economic, Technology and Development Zone; and the secretary of the Working Committee of the Party of Yancheng Integrated Free Trade Zone. He has been a member of the sixth City Committee of Yancheng and the deputy to the 12th People's Congress of Jiangsu province.

Mr. QI Guangya, aged 45, 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

Ms. LEUNG Mei Han, aged 56, 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 30 years' experience in accounting, securities, corporate finance and related areas. Ms Leung is also an independent non-executive director of Bossini International Holdings Limited and Four Seas Mercantile Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Mr. CUI Shuming, aged 77, 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 of the Stock Exchange.

Dr LIU Yongping, aged 59, 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 and Wanjia Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

According to the judgment of MMT on 9th May 2014, the Company has been determined by the MMT engaged in market misconduct during the Period. During this Period, Mr. Qi Guangya was a non-executive director of the Company, and Mr. Cui Shuming and Ms. Leung Mei Han were independent non-executive directors of the Company. None of Mr. Qi Guangya, Mr. Cui Shuming or Ms. Leung Mei Han was a defendant in the MMT matter.

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, 2014.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its principal subsidiaries are engaged in exploration, mining and processing of metal minerals in the PRC.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of profit and loss and other comprehensive income on page 40–41 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past financial years is set out on page 120 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately RMB38,218,000 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 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the Company's share capital as at 31st December, 2014 are set out in Note 32 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, 2014, which represent the share premium, contributed surplus and accumulated losses, were RMB416,307,000.

DIRECTORS

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

Non-executive Directors:

Mr. Wang Lianchun *(Chairman)* (appointed on 5th January, 2015)
Mr. Chen Yunhua (resigned on 5th January, 2015)
Mr. Qi Guangya
Mr. Dong Li Yong (resigned on 5th January, 2015)

Executive Directors:

Mr. Hu Huaimin *(Chief Executive)*
Mr. Liu Xiaoguang (resigned on 25th March, 2015)
Mr. Bai Zhaoxiang (appointed on 10th October, 2014)

Independent non-executive Directors:

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

In accordance with Article 108(A) of the Company's articles of association, Mr. Qi Guangya, Mr. Cui Shu Ming and Ms. Leung Mei Han will retire by rotation and being eligible, (except for Ms. Leung Mei Han) will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Further, in accordance with Article 112 of the Company's Articles of Association, Mr. Wang Lianchun and Mr. Bai Zhaoxiang shall hold office only until the first general meeting after his appointment i.e. the forthcoming annual general meeting, being eligible, will offer themselves for re-election at the forthcoming annual general meeting, 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, 2014, 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
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)*
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)*
Bai Zhaoxiang	The Company	Beneficial Owner	2,213,281 (L)	0.24%	780,661 *(note iii)*
	The Company	Beneficial Owner	–	–	573,048 *(note vi)*
	The Company	Beneficial Owner	–	–	429,786 *(note vii)*
	The Company	Beneficial Owner	–	–	429,786 *(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)*
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)*
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)*

Directors' Report

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, 2014.

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.

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.

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.

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.

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.

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.

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, 2014.

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 allocated and 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 and details of movements of the Scheme are set out in Note 35 to the consolidated financial statements.

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 31st December, 2014, 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, 2014 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 21st March, 2013, 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 January, 2013 to 31st December, 2015. The rental payable to Yue Da HK is HK$250,000 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, on the same date, 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, 2013 to 31st December, 2015 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, 2014, the total rentals paid by the Company to Yue Da HK and Yue Da Enterprise are HK$3,300,000 (equivalent to RMB2,610,000) and HK$240,000 (equivalent to RMB190,000), 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 21st March, 2013.

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

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

CONTROLLING AND SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTEREST

The register of controlling and substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that as at 31st December, 2014, 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, 2014.

(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, 2014, 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 61.9% of the Group's total revenue and the largest customer accounted for approximately 21.8% of the Group's total revenue. The aggregate purchases attributable to the Group's five largest suppliers during the year accounted for approximately 51% of the Group's total purchases and the largest suppliers accounted for approximately 30% 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, 2014.

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, 2014.

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

Wang Lianchun
CHAIRMAN

Hong Kong
30th March, 2015

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 40 to 119, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of profit or loss and other 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, 2014, 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
30th March, 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2014

	NOTE	2014 RMB'000	2013 RMB'000
Continuing operation			
Revenue	6	134,782	191,133
Cost of sales		(145,033)	(167,652)
Gross (loss) profit		(10,251)	23,481
Other income		4,978	12,536
Other gains and losses	7	949	25,600
Impairment losses on assets	8	(219,822)	(135,983)
Impairment loss on available-for-sale investments	19	(11,123)	—
Administrative expenses		(62,587)	(76,890)
Finance costs	10	(16,117)	(14,368)
Loss before tax		(313,973)	(165,624)
Income tax credit	11	68,177	25,475
Loss for the year from continuing operation	12	(245,796)	(140,149)
Discontinued operation			
Profit (loss) for the year from discontinued operation	13	9,356	(5,306)
Loss and total comprehensive expense for the year		(236,440)	(145,455)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company			
— from continuing operation		(235,051)	(138,645)
— from discontinued operation		11,055	(2,706)
		(223,996)	(141,351)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st December, 2014

	NOTE	**2014** **RMB'000**	2013 RMB'000
Loss and total comprehensive expense for the year attributable to non-controlling interests			
— from continuing operation		**(10,745)**	(1,504)
— from discontinued operation		**(1,699)**	(2,600)
		(12,444)	(4,104)
Loss per share	14		
From continuing and discontinued operations			
— Basic		**RMB(24.46) cents**	RMB(15.44) cents
— Diluted		**RMB(24.46) cents**	RMB(15.44) cents
From continuing operation			
— Basic		**RMB(25.67) cents**	RMB(15.14) cents
— Diluted		**RMB(25.67) cents**	RMB(15.14) cents

Consolidated Statement of Financial Position

At 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
Non-current Assets			
Property, plant and equipment	16	**104,639**	138,048
Prepaid lease payments	17	**9,418**	9,789
Mining rights	18	**614,606**	802,903
Available-for-sale investments	19	**4,841**	15,964
Goodwill	20	**2,119**	2,119
Other intangible assets	21	**—**	—
Long term deposits	22	**7,352**	7,202
Deposits paid for acquisition of property, plant and equipment		**4,602**	11,544
Deposits paid for investments	23	**—**	55,930
Other receivables	25	**27,277**	45,641
		774,854	1,089,140
Current Assets			
Prepaid lease payments	17	**449**	449
Inventories	24	**41,334**	55,378
Trade and other receivables	25	**132,026**	176,450
Amounts due from related companies	26	**27,895**	27,895
Taxation receivable		**224**	421
Pledged bank deposits	27	**100,540**	73,750
Bank balances and cash	28		
— Cash at banks and on hand		**23,520**	75,974
— Short term bank deposit with maturity over three months		**—**	10,000
		325,988	420,317
Current Liabilities			
Trade and other payables	29	**54,760**	66,093
Amounts due to related companies	26	**91,250**	92,230
Amounts due to directors	30	**297**	120
Taxation payable		**4,409**	7,743
Bank borrowings — due within one year	31	**189,860**	207,286
		340,576	373,472
Net Current (Liabilities) Assets		**(14,588)**	46,845
Total Assets Less Current Liabilities		**760,266**	1,135,985

Consolidated Statement of Financial Position

At 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
Capital and Reserves			
Share capital	32	**83,474**	83,474
Reserves		**446,078**	670,619
Equity attributable to owners of the Company		**529,552**	754,093
Non-controlling interests		**87,966**	165,347
Total equity		**617,518**	919,440
Non-current Liabilities			
Provisions	33	**2,246**	2,219
Deferred tax liabilities	34	**140,502**	214,326
		142,748	216,545
		760,266	1,135,985

The consolidated financial statements on pages 40 to 119 were approved and authorised for issue by the board of directors on 30th March, 2015 and are signed on its behalf by:

Mr. Hu Huaimin
DIRECTOR

Mr. Bai Zhaoxiang
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

	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, 2013	83,474	903,463	38,574	157,178	21,717	19,408	(53,464)	(275,669)	894,681	168,931	1,063,612
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(141,351)	(141,351)	(4,104)	(145,455)
Acquisition of a subsidiary *(Note 38)*	–	–	–	–	–	–	–	–	–	520	520
Forfeiture of share options	–	–	–	–	–	(433)	–	433	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	763	–	–	763	–	763
At 31st December, 2013	83,474	903,463	38,574	157,178	21,717	19,738	(53,464)	(416,587)	754,093	165,347	919,440
Loss and total comprehensive expenses for the year	–	–	–	–	–	–	–	(223,996)	(223,996)	(12,444)	(236,440)
Acquisition of additional interest in a non-wholly owned subsidiary *(Note 38)*	–	–	–	–	–	–	(675)	–	(675)	(825)	(1,500)
Disposal of a subsidiary *(Note 39)*	–	–	–	–	–	–	–	–	–	(50,436)	(50,436)
Forfeiture of share options	–	–	–	–	–	(508)	–	508	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	–	130	–	–	130	–	130
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(13,676)	(13,676)
Transfer upon the impairment of the mining rights of the relevant subsidiary *(Note 18)*	–	–	–	–	–	–	13,201	(13,201)	–	–	–
At 31st December, 2014	**83,474**	**903,463**	**38,574**	**157,178**	**21,717**	**19,360**	**(40,938)**	**(653,276)**	**529,552**	**87,966**	**617,518**

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 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;

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2014

Notes: — continued

(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 respective differences between amount of non-controlling interests acquired and the fair value of consideration paid during the years ended 31st December, 2011 and 2014.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	2014 RMB'000	2013 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax		
— continuing operation	(313,973)	(165,624)
— discontinued operation	10,781	(8,340)
	(303,192)	(173,964)
Adjustments for:		
Amortisation of mining rights	27,917	46,102
Allowance for inventories	892	4,383
Finance costs	16,117	14,368
Depreciation of property, plant and equipment	20,916	24,888
Amortisation of other intangible assets	—	345
Share-based payment expenses	130	763
Release of prepaid lease payments	371	262
Impairment losses on assets	219,822	135,983
Impairment loss on available-for-sale investments	11,123	—
Impairment loss on amount due from Disposal Group	11,384	—
Loss on disposal of property, plant and equipment	152	472
Adjustment on other receivables upon repayment	(3,906)	—
Fair value change in contingent consideration	—	(24,394)
Gain on disposal of a subsidiary	(8,532)	—
Interest income	(1,825)	(5,736)
Imputed interest income on amount due from Disposal Group	(2,668)	(3,899)
Operating cash flows before movements in working capital	(11,299)	19,573
Increase in long term deposits	(150)	(320)
Decrease (increase) in inventories	13,152	(22,539)
(Increase) decrease in trade and other receivables	(1,080)	65,298
Decrease in amounts due from related companies	—	13,768
Decrease in trade and other payables	(3,822)	(2,947)
Increase in amounts due to directors	177	—
Cash (used in) generated from operations	(3,022)	72,833
Income tax paid	(10,209)	(24,000)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(13,231)	48,833

Consolidated Statement of Cash Flows

For the year ended 31st December, 2014

	NOTES	2014 RMB'000	2013 RMB'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(26,674)**	(27,282)
Addition of mining rights		**(9,647)**	(9,240)
Advance to related companies		**—**	(10,626)
Loan advance		**—**	(53,353)
Repayment of contingent consideration receivable	7	**29,849**	—
Repayment of deferred consideration receivable	25	**32,350**	—
Repayment of amount due from Disposal Group	25	**23,012**	—
Deposit paid for acquisition of property, plant and equipment and a land use right		**(4,602)**	(11,544)
Interest received		**1,412**	5,736
Acquisition of subsidiary (net of cash and cash equivalents acquired)	38	**—**	(11,020)
Proceeds from disposal of property, plant and equipment		**59**	199
Deposits paid for investments		**(6,042)**	(52,827)
Deposit received for disposal of a subsidiary		**—**	53,730
Refund of deposit for disposal of a subsidiary		**(3,730)**	(50,000)
Addition of pledged bank deposits		**(100,540)**	(73,750)
Release of pledged bank deposit		**73,750**	—
Placement of short-term deposit		**—**	(10,000)
Withdrawal of short-term deposit		**10,000**	—
Disposal of a subsidiary (net of cash and cash equivalent disposal of)	39	**(22,424)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(3,227)**	(249,977)
FINANCING ACTIVITIES			
Bank borrowings raised		**189,860**	296,212
Repayment of bank borrowings		**(207,286)**	(217,574)
Repayment to related companies		**(56,712)**	(37,788)
Advance from related companies		**50,000**	80,000
Interest paid		**(10,358)**	(9,680)
Acquisition of additional interest in a non-wholly owned subsidiary	38	**(1,500)**	—
Payment to a non-controlling shareholder under capital reduction arrangement		**—**	(25,000)
Repayment under finance leases		**—**	(784)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(35,996)**	85,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(52,454)**	(115,758)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**75,974**	191,527
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**—**	205
CASH AND CASH EQUIVALENTS AT END OF YEAR representing cash at banks and on hand		**23,520**	75,974

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

1. GENERAL

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

The Company is an investment holding company. The principal activities of its subsidiaries are exploration, mining and processing of zinc, lead, iron and gold.

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. BASIS OF PREPARATION

In the preparation of the consolidated financial statements, the directors of the Company have given due and careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB14,588,000 and it incurred loss of RMB236,440,000 for the year ended 31st December, 2014. Subsequent to 31st December, 2014, the following events have been taken place:

(1) The Company's ultimate parent, Jiangsu Yue Da, has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

(2) On 11th March, 2015, the Company entered into the subscription agreement with an independent third party (''Subscriber") pursuant to which the Subscriber has agreed to subscribe and the Company has agreed to issue 6% coupon unlisted corporate bonds in the aggregate maximum principal amount of up to HK$300,000,000, bearing interest rate at 6% per annum and with maturity date of forty-eighth months from the date of issue. On 13th March, 2015, the corporate bonds with aggregate principal amount of HK$78,000,000 (approximately to RMB61,831,000) were issued and the net proceeds of HK$74,724,000 (approximately to RMB59,234,000) were received by the Company.

The directors of the Company consider that taking into account of the above mentioned subsequent events and the cash requirements for the next twelve months from the end of the reporting period, the Group will have sufficient working capital to meet in full its financial obligations as and when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) — INT 21	Levies

The application of the new and revised 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.

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

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle[3]
HKFRS 9	Financial Instruments[5]
HKFRS 15	Revenue from Contracts with Customers[4]

1 Effective for annual periods beginning on or after 1st July, 2014
2 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions
3 Effective for annual periods beginning on or after 1st January, 2016
4 Effective for annual periods beginning on or after 1st January, 2017
5 Effective for annual periods beginning on or after 1st January, 2018

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- 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.

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

HKFRS 9 *Financial Instruments* — continued

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may 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. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

HKFRS 15 *Revenue from Contracts with Customers* — continued

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the Group's financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

4. 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 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Basis of consolidation — continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 assets or liabilities 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.

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 may be initially measured either at fair value or 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 HKFRS.

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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Business combinations — continued

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 or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 or HKAS 37 "Provisions contingent liabilities and contingent asset", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment, including buildings (classified as finance leases) 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.

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.

Depreciation is recognised so as to write off the cost of items of assets, 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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 as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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

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 before 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 basis based 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 of inventories are determined on a 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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments

Financial assets and financial liabilities are recognised 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 or 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

Financial assets are classified into the following specified categories: 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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Financial assets at FVTPL — continued

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are 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).

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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other 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 available-for-sale equity investments which are measured 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.

4. 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 an entity 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 company/directors 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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Financial instruments — continued

Derecognition — continued

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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised is recognised in profit or loss.

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

Provisions

The Group is required to make payments for restoration and rehabilitation of certain land after the underground sites have been mined. Provision for restoration, rehabilitation and environmental cost is required when the Group has a present obligation (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).

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 recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, 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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

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

Recoverable amount is the higher of fair value less costs of disposal 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.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Toll revenue is recognised on receipt.

Revenue from sale of goods are recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Revenue recognition — continued

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. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). 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.

4. 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

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date of grant and 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, 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.

At the time when the Group modifies the terms and conditions of the share options previously granted, if the modification increases the fair value of the equity instruments granted measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Equity-settled share-based payment transactions — continued

Share options granted to employees — continued

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.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Borrowing costs

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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.

4. SIGNIFICANT ACCOUNTING POLICIES — CONTINUED

Taxation — continued

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

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

The carrying amount of deferred tax assets is reviewed at the end of 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.

4. 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 recognised 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Estimated impairment of property, plant and equipment, mining rights and goodwill

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, 2014, the carrying amounts of property, plant and equipment, mining rights and goodwill were RMB104,639,000 (2013: RMB138,048,000), RMB614,606,000 (2013: RMB802,903,000) and RMB2,119,000 (2013: RMB2,119,000) respectively. Details of the recoverable amount calculation for the CGUs are set out in Note 18. During the year ended 31st December, 2014, impairment losses of RMB49,795,000 (2013: RMB19,215,000), RMB170,027,000 (2013: RMB116,768,000) and nil (2013: nil) were recognised for property, plant and equipment, mining rights and goodwill respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY — CONTINUED

Useful lives of mining rights

The Group's management determines the estimated useful lives of 13 to 25 years (2013: 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 (2013: one to eight years). The directors of the Company are of the opinion that the Group will be able to continuously renew the mining rights and the business licences of the respective mining subsidiaries without significant costs. Accordingly, the Group has used the proven and probable reserves as a basis of estimation for the useful lives of its mining rights.

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

As at 31st December, 2014, the carrying amount of mining right was RMB614,606,000 (2013: RMB802,903,000).

Allowances for bad and doubtful debts

When there is an 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). In particularly, the management has assessed the recoverability of the Everwise Deposit, Deposits and Mineral Land Loan given the fact that those amounts are past due at 31st December, 2014 or after 31st December, 2014 as detailed in Notes 23 and 25(i), by considering the subsequent events as mentioned in respective notes, the management considers that no impairment loss is required. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amounts of trade receivables, contingent consideration receivable, deposits paid for investments, loan receivables, deferred consideration receivable, amount due from Disposal Group and amounts due from related companies were RMB1,238,000 (2013: RMB9,539,000), nil (2013: RMB43,525,000), RMB61,204,000 (2013: RMB55,930,000), RMB48,952,000 (2013: RMB48,775,000), RMB9,458,000 (2013: RMB41,395,000), RMB17,819,000 (2013: RMB45,641,000) and RMB27,895,000 (2013: RMB27,895,000) respectively. Other than an impairment loss of RMB11,384,000 is recognised on the amount due from Disposal Group for the year ended 31st December, 2014 (2013: nil), no allowance for bad and doubtful debts was made for the other items as mentioned above.

6. REVENUE AND SEGMENT INFORMATION

Revenue

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

	2014 RMB'000	2013 RMB'000
Continuing operation		
Sale of zinc, lead and iron ore concentrates	70,570	132,830
Sale of compound gold and gold ore	64,212	58,303
	134,782	191,133

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 ("Mining Operations")

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

The Toll Road Operation was discontinued during the year ended 31st December, 2013. Details are set out in Note 13.

6. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information — continued

Segment result

The operating segment revenue from the Mining Operations contributes the entire revenue of the continuing operation of the Group. The CODM reviewed the segment loss, other income, other gains and losses as described below, impairment loss on available-for-sale investments, central administration costs and finance costs for the purposes of resource allocation and performance assessment.

	2014 RMB'000	2013 RMB'000
Continuing operation		
Revenue from Mining Operations	**134,782**	191,133
Segment loss	**(266,459)**	(147,164)
Other income	**4,978**	12,536
Other gains and losses		
— Fair value gain on contingent consideration	**—**	24,394
— Adjustment on other receivables upon repayment	**3,906**	—
— Net foreign exchange gain	**47**	1,678
— Gain on disposal of a subsidiary	**8,532**	—
— Impairment loss on amount due from Disposal Group	**(11,384)**	—
Impairment loss on available-for-sale investments	**(11,123)**	—
Central administration costs	**(26,353)**	(42,700)
Finance costs	**(16,117)**	(14,368)
Loss before tax (continuing operation)	**(313,973)**	(165,624)

The accounting policies of the reportable and operating segment are the same as the Group's accounting policies described in Note 4.

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.

6. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information — continued

Other segment information

Amounts included in the measurement of segment loss:

For the year ended 31st December, 2014

	Continuing operation Mining Operations RMB'000	**Unallocated** RMB'000	**Total** RMB'000
Allowance for inventories	**892**	**—**	**892**
Depreciation and amortisation	**49,064**	**—**	**49,064**
Impairment losses on:			
— mining rights	**170,027**	**—**	**170,027**
— property, plant and equipment	**49,795**	**—**	**49,795**

For the year ended 31st December, 2013

	Continuing operation Mining Operations RMB'000	Unallocated RMB'000	Total RMB'000
Allowance for inventories	4,383	—	4,383
Depreciation and amortisation	70,989	92	71,081
Impairment losses on:			
— mining rights	116,768	—	116,708
— property, plant and equipment	19,215	—	19,215

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% (2013: 99%) of the Group's non-current assets excluding other financial assets are located in the PRC.

6. REVENUE AND SEGMENT INFORMATION — CONTINUED

Segment information — continued

Information about major customers

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

	2014 RMB'000	2013 RMB'000
Customer A *(Note i)*	21,719	37,455
Customer B *(Note i)*	15,868	56,667
Customer C *(Note i)*	29,373	50,648

Note (i) The above customers are related to Mining Operations.

7. OTHER GAINS AND LOSSES

	2014 RMB'000	2013 RMB'000
Continuing operation		
Fair value change in contingent consideration *(Note)*	–	24,394
Adjustment on other receivables upon repayment *(Note 25(iii))*	3,906	—
Loss on disposal of property, plant and equipment	(152)	(472)
Impairment loss on amount due from Disposal Group *(Note 25(iii))*	(11,384)	—
Gain on disposal of a subsidiary *(Note 39)*	8,532	—
Net foreign exchange gains	47	1,678
	949	25,600

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. Absolute Apex Limited owned the entire equity interest in Ample Source Investment Limited, which owned 70% equity interest in Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), which are engaged in investment holding, and mining and processing of gold, respectively. Bright Harvest 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 year ended 31st December, 2013 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 was mainly due to the deferral of the production plan and the decline in market price of gold.

As a result, a fair value change in contingent consideration of RMB24,394,000 was recognised in profit or loss for the year ended 31st December, 2013.

As at 31st December, 2013, the contingent consideration receivable amounted to RMB43,525,000 was included in trade and other receivables as set out in Note 25. During the year ended 31st December, 2014, the non-controlling interests of Tong Ling Guan Hua repaid an amount of RMB29,849,000 in cash and the remaining balance of RMB13,676,000 was offset against dividend payable to non-controlling interests of Tong Ling Guan Hua.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2014

8. IMPAIRMENT LOSSES ON ASSETS

	2014 RMB'000	2013 RMB'000
Continuing operation		
Impairment losses on:		
— mining rights *(Note 18)*	**170,027**	116,768
— property, plant and equipment *(Note 16)*	**49,795**	19,215
	219,822	135,983

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

The emoluments paid or payable to each of the ten (2013: nine) directors and the chief executive were as follows:

2014

	Executive directors				**Non-executive directors**							
	Mr. Dong Li Yong RMB'000 (Note ii)	**Mr. Liu Xiaoguang** RMB'000 (Note vi)	**Mr. Hu Huaimin** RMB'000 (Note iii)	**Mr. Bai Zhaoxiang** RMB'000 (Note iv)	**Mr. Dong Li Yong** RMB'000 (Note ii)	**Mr. Chen Yunhua** RMB'000 (Note v)	**Mr. Qi Guangya** RMB'000	**Ms. Leung Mei Han** RMB'000	**Mr. Cui Shu Ming** RMB'000	**Mr. Han Run Sheng** RMB'000 (Note i)	**Dr. Liu Yong Ping** RMB'000	**Total** RMB'000
Fees	**134**	**238**	**238**	**59**	**45**	**–**	**–**	**198**	**198**	**60**	**198**	**1,368**
Other emoluments												
Salaries and other benefits	**1,085**	**–**	**727**	**143**	**361**	**–**	**–**	**–**	**–**	**–**	**–**	**2,316**
Discretionary bonus *(Note vii)*	**49**	**–**	**59**	**10**	**16**	**–**	**–**	**–**	**–**	**–**	**–**	**134**
Contributions to retirement benefits schemes	**107**	**–**	**34**	**8**	**36**	**–**	**–**	**–**	**–**	**–**	**–**	**185**
Share-based payments	**11**	**8**	**8**	**2**	**4**	**18**	**6**	**–**	**–**	**–**	**–**	**57**
Total emoluments	**1,386**	**246**	**1,066**	**222**	**462**	**18**	**6**	**198**	**198**	**60**	**198**	**4,060**

2013

	Executive directors			Non-executive directors						
	Mr. Dong Li Yong RMB'000 (Note ii)	Mr. Liu Xiaoguang RMB'000 (Note vi)	Mr. Hu Huaimin RMB'000 (Note iii)	Mr. Chen Yunhua RMB'000 (Note v)	Mr. Qi Guangya RMB'000	Ms. Leung Mei Han RMB'000	Mr. Cui Shu Ming RMB'000	Mr. Han Run Sheng RMB'000 (Note i)	Dr. Liu Yong Ping RMB'000	Total RMB'000
Fees	237	237	237	–	–	198	198	119	198	1,424
Other emoluments										
Salaries and other benefits	1,400	–	601	–	–	–	–	–	–	2,001
Discretionary bonus *(Note vii)*	240	–	121	–	–	–	–	–	–	361
Contributions to retirement benefits schemes	175	–	30	–	–	–	–	–	–	205
Share-based payments	88	44	44	106	35	–	–	–	–	317
Total emoluments	2,140	281	1,033	106	35	198	198	119	198	4,308

9. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' REMUNERATION — CONTINUED

Notes:

(i) This director retired on 12th June, 2014.

(ii) This director resigned as the chief executive officer of the Company on 29th September, 2014. With effect from 10th October, 2014, this director ceased to be an executive director and has been re-designated as a non-executive director. This director resigned on 5th January, 2015.

(iii) This director was appointed as the chief executive officer of the Company on 10th October, 2014.

(iv) This director was appointed on 10th October, 2014.

(v) This director resigned on 5th January, 2015.

(vi) This director resigned on 25th March, 2015.

(vii) 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 (2013: two) were directors and chief executive of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: three) individuals including an individual before the appointment as director during the year ended 31st December, 2014 as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other benefits	**1,733**	1,512
Bonus	**132**	471
Contributions to retirement benefits schemes	**145**	96
Share-based payments	**11**	75
	2,021	2,154

Their emoluments were within the following bands:

	2014 Number of employees	2013 Number of employees
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**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, 2014 (2013: nil).

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For the year ended 31st December, 2014

10. FINANCE COSTS

	2014 RMB'000	2013 RMB'000
Continuing operation		
Interest on bank borrowings wholly repayable within five years	**10,358**	9,256
Effective interest on finance leases	**—**	18
Imputed interest on provisions *(Note 33)*	**27**	25
Interest on loan from a related party	**5,732**	4,645
Bank loan arrangement fees	**—**	424
	16,117	14,368

11. INCOME TAX CREDIT

	2014 RMB'000	2013 RMB'000
Continuing operation		
Current tax		
— PRC Enterprise Income Tax	**799**	9,203
— withholding tax paid in respect of distribution of earning of PRC subsidiaries	**4,200**	4,700
Underprovision in prior years of PRC Enterprise Income Tax	**648**	571
	5,647	14,474
Deferred tax *(Note 34)*		
— current year	**(73,824)**	(39,949)
	(68,177)	(25,475)

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.

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, 2014 (2013: 15% to 25%).

11. INCOME TAX CREDIT — CONTINUED

The income tax credit for the year can be reconciled to the loss before tax from continuing operation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 RMB'000	2013 RMB'000
Loss before tax	**(313,973)**	(165,624)
Tax at the domestic income tax rate of 25% (2013: 25%) *(Note)*	**(78,493)**	(41,406)
Tax effect of expenses not deductible for tax purpose	**5,511**	11,839
Tax effect of income not taxable for tax purpose	**(7,339)**	(6,550)
Underprovision in prior years	**648**	571
Tax effect of tax losses not recognised	**10,693**	4,228
Deferred tax provided on withholding tax for income derived from PRC	**—**	7,392
Effect of different tax rates of subsidiaries	**803**	(1,549)
Income tax credit	**(68,177)**	(25,475)

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

12. LOSS FOR THE YEAR FROM CONTINUING OPERATION

	2014 RMB'000	2013 RMB'000
Continuing operation		
Loss and total comprehensive expense for the year has been arrived at after charging (crediting) the following items:		
Allowance for inventories (included in cost of sales)	**892**	4,383
Amortisation of mining rights (included in cost of sales)	**27,917**	46,102
Depreciation of property, plant and equipment	**20,776**	24,717
Release of prepaid lease payments	**371**	262
Auditors' remuneration	**2,060**	2,000
Cost of inventories sold	**117,116**	121,550
Employee benefit expense, including directors' remuneration *(Note 9)* and share-based payment expense *(Note 35)*	**49,388**	57,597
Interest income from bank deposits	**(1,395)**	(5,691)
Interest income from deferred consideration receivable *(Note 25(ii))*	**(413)**	—
Imputed interest income on amount due from Disposal Group *(Note 25(iii))*	**(2,668)**	(3,899)

13. PROFIT (LOSS) FOR THE YEAR FROM DISCONTINUED OPERATION

The Group ceased its Toll Road Operation upon the expiry of the operating rights of toll road highway and bridge in May 2013. This operating segment is classified as discontinued operation.

	2014 RMB'000	2013 RMB'000
Revenue	**–**	8,042
Direct operating costs	**–**	(10,010)
Gross loss	**–**	(1,968)
Government compensation *(note)*	**14,248**	—
Other income	**17**	45
Administrative expenses	**(3,484)**	(6,417)
Profit (loss) before tax	**10,781**	(8,340)
Income tax (expense) credit	**(1,425)**	3,034
Profit (loss) for the year	**9,356**	(5,306)
Profit (loss) for the year from discontinued operation has been arrived at after charging (crediting) the following:		
Amortisation of other intangible assets (included in direct operating costs)	**–**	345
Depreciation of property, plant and equipment	**140**	171
Interest income from bank deposits	**(17)**	(45)
Employee benefit expense (including severance payments to employees of RMB500,000 (2013: RMB5,038,000))	**2,435**	11,236
Current tax	**1,425**	—
Deferred tax	**–**	(3,034)

Note: Since April 2013, the Company has been taking steps to seek compensation for its loss from the local government in Langfang City, Hebei Province arising from a change in location of a toll station as requested by the government. In June 2014, the government approved a compensation of RMB14,248,000.

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

There was no significant assets and liabilities of the Toll Road Operation at the end of both reporting periods.

14. LOSS PER SHARE

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

	Continuing and discontinued operations		Continuing operation	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Loss				
Loss for the year attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	**(223,996)**	(141,351)	**(235,051)**	(138,645)
Number of shares	**Number**	Number	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**915,691,876**	915,691,876	**915,691,876**	915,691,876

Basic earnings per share for the discontinued operation is RMB1.21 cents (2013: basic loss per share of RMB0.30 cents), based on the profit for the year attributable to owners of the Company from the discontinued operation of RMB11,055,000 (2013: loss of RMB2,706,000) and the denominators detailed above for basic loss per share.

The computation of the diluted loss per share for the year ended 31st December, 2014 and 2013 does not assume the exercise of the share options because they would result in reduction in loss per share.

15. DIVIDEND

No dividend was paid or proposed by the directors for both years.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Mining shafts	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 1st January, 2013	61,013	20,543	77,857	81,044	12,408	11,588	40,466	304,919
Additions	1,242	232	7,566	3,289	986	1,231	21,340	35,886
Acquired on acquisition of a subsidiary *(Note 38)*	3,277	—	—	9,518	53	452	7,016	20,316
Disposals	(270)	—	—	(391)	(204)	(1,479)	—	(2,344)
Transfer	3,227	—	18,568	10,499	533	—	(32,827)	—
At 31st December, 2013	68,489	20,775	103,991	103,959	13,776	11,792	35,995	358,777
Additions	1,964	67	2,142	3,063	1,870	218	28,894	38,218
Derecognised on disposal a subsidiary *(Note 39)*	—	—	—	—	(182)	(1,114)	—	(1,296)
Disposals	—	—	—	(1,474)	(58)	(392)	—	(1,924)
Transfer	1,178	—	36	2,180	—	—	(3,394)	—
At 31st December, 2014	71,631	20,842	106,169	107,728	15,406	10,504	61,495	393,775
DEPRECIATION AND IMPAIRMENT								
At 1st January, 2013	29,766	6,075	56,887	51,607	11,857	7,265	14,842	178,299
Charge for the year	3,682	709	9,942	8,371	731	1,453	—	24,888
Impairment loss recognised in profit or loss	—	—	19,215	—	—	—	—	19,215
Eliminated on disposals	(41)	—	—	(188)	(184)	(1,260)	—	(1,673)
At 31st December, 2013	33,407	6,784	86,044	59,790	12,404	7,458	14,842	220,729
Charge for the year	3,361	710	5,439	9,608	793	1,005	—	20,916
Impairment loss recognised in profit or loss	787	—	14,686	886	21	—	33,415	49,795
Eliminated on disposals	—	—	—	(1,308)	(52)	(353)	—	(1,713)
Eliminated on disposal of a subsidiary *(Note 39)*	—	—	—	—	(117)	(474)	—	(591)
At 31st December, 2014	37,555	7,494	106,169	68,976	13,049	7,636	48,257	289,136
CARRYING VALUES								
At 31st December, 2014	34,076	13,348	—	38,752	2,357	2,868	13,238	104,639
At 31st December, 2013	35,082	13,991	17,947	44,169	1,372	4,334	21,153	138,048

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

16. 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

Certain buildings of the Group are erected in the PRC with respect to which the Group had not been granted formal title of ownership. As at 31st December, 2014, the carrying value of such buildings amounted to RMB28,221,000 (2013: RMB29,226,000). In the opinion of directors of the Company, the absence of formal title does not impair the value of the relevant buildings. The directors of the Company also believe that formal title of these buildings will be granted to the Group in due course.

During the year ended 31st December, 2014, an impairment loss amounting to RMB49,795,000 (2013: RMB19,215,000) for continuing operation was recognised. Impairment assessment is set out in Note 18.

17. PREPAID LEASE PAYMENTS

	2014 **RMB'000**	2013 RMB'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Medium-term lease	**9,867**	10,238
Analysed for reporting purposes as:		
Current assets	**449**	449
Non-current assets	**9,418**	9,789
	9,867	10,238

As at 31st December, 2014, the carrying value of land use rights in respect of which the Group was not yet granted formal title of ownership amounted to RMB6,520,000 (2013: RMB6,890,000). In the opinion of directors of the Company, the absence of formal title to these land use rights does not impair the value of the relevant properties to the Group. The directors of the Company also believe that formal title of these land use rights will be granted to the Group in due course.

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18. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2013	1,504,367
Addition	9,240
At 31st December, 2013	1,513,607
Addition	9,647
At 31st December, 2014	1,523,254
AMORTISATION AND IMPAIRMENT	
At 1st January, 2013	547,834
Charge for the year	46,102
Impairment loss recognised in the year *(Note 8)*	116,768
At 31st December, 2013	710,704
Charge for the year	27,917
Impairment loss recognised in the year *(Note 8)*	170,027
At 31st December, 2014	908,648
CARRYING VALUES	
At 31st December, 2014	614,606
At 31st December, 2013	802,903

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one to eight years (2013: one to eight years). The Group's mining rights are expiring in the period from February 2015 to August 2016. In the opinion of the directors of the Company, 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.

18. MINING RIGHTS — CONTINUED

During the year ended 31st December, 2014, the management conducted an impairment review on the related assets of certain subsidiaries which are engaged in mining and processing of gold, iron and lead located in the PRC, due to (i) a general decline in the price of gold, iron and lead in the international commodity market during the year ended 31st December, 2014 and the related price outlook; (ii) the tightening of safety and environmental requirements by government of the PRC on mining industry which increased the complexity of production processes and thus increased the direct production costs; and (iii) the general increase in raw materials and production costs during the year ended 31st December, 2014. Management considered each subsidiary represents a separate CGU for the purpose of impairment testing.

For the purpose of the impairment testing, the management found that there is no basis for making a reliable estimate of the fair value less costs to sell, recoverable amount is measured by reference to the value in use.

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 19.55% to 19.89% (2013: 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 that are engaged in mining and processing of zinc, lead, iron and gold are less than the carrying amounts of the respective CGUs. Hence, aggregate impairment losses of RMB170,027,000 and RMB49,795,000 (2013: RMB116,768,000 and RMB19,215,000) have been recognised on mining rights and production assets of Mining Operations included in the Group's property, plant and equipment respectively.

With the full impairment of the mining rights of a CGU, Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong"), during the year ended 31st December, 2014, the other reserve amounted to RMB13,201,000 arising from the acquisition conditional interests of Yaoan Feilong in 2007 was transferred to accumulated losses accordingly.

19. AVAILABLE-FOR-SALE INVESTMENTS

	2014 RMB'000	2013 RMB'000
Unlisted equity securities:		
At cost	**70,457**	70,457
Less: Impairment	**(65,616)**	(54,493)
	4,841	15,964

19. AVAILABLE-FOR-SALE INVESTMENTS — CONTINUED

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 which held the entire equity interest in certain subsidiaries incorporated in PRC (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 shareholders' loan to the Disposal Group amounted to RMB31,903,000 has been assigned to Feng Hua. Total consideration for the disposal of 41.1% of issued capital and the assignment of shareholders' 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 the Disposal Group and will not be entitled to appoint any director to the Disposal Group nor allowed to involve in the management, financial and operating decisions, and day to day operations of the Disposal Group. The future operations of the Disposal Group shall be funded solely by Feng Hua when necessary. Accordingly, the remaining 49% interest of the Disposal Group owned by the Group was classified as available-for-sale investments of the Group and 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 of the Company, 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, 2014, an objective evidence of impairment was considered to exist due to (i) a general decline in the price of lead in the international commodity market during the year ended 31st December, 2014 and the related price outlook; (ii) the tightening of safety and environmental requirements by government of the PRC on mining industry which increased the complexity of production processes and thus increased the direct production costs; (iii) the general increase in raw materials and production costs during the year ended 31st December, 2014; and (iv) adjustment to future production schedule due to the weak commodity market. The major assets and liabilities of the Disposal Group are certain mining rights and the shareholders' loan. The directors of the Company performed an impairment assessment during the year ended 31st December, 2014 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 the CGU 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 RMB11,123,000 during the year ended 31st December, 2014 (2013: nil).

20. GOODWILL

	RMB'000
COST	
At 1st January, 2013	10,533
Acquisition of a subsidiary *(Note 38)*	2,119
Written off upon the cessation of Toll Road Operation	(482)
At 31st December, 2013 and 31st December, 2014	12,170
IMPAIRMENT	
At 1st January, 2013	10,533
Eliminated on written off upon the cessation of Toll Road Operation	(482)
At 31st December, 2013 and 31st December, 2014	10,051
CARRYING VALUES	
At 31st December, 2014	2,119
At 31st December, 2013	2,119

21. OTHER INTANGIBLE ASSETS

	RMB'000
COST	
At 1st January, 2013	247,798
Written off upon the cessation of Toll Road Operation	(247,798)
At 31st December, 2013 and 31st December, 2014	—
AMORTISATION	
At 1st January, 2013	247,453
Provided for the year	345
Eliminated on written off upon the cessation of Toll Road Operation	(247,798)
At 31st December, 2013 and 31st December, 2014	—
CARRYING VALUES	
At 31st December, 2014	—
At 31st December, 2013	—

22. 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% (2013: 0.35%) 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.

23. DEPOSITS PAID FOR INVESTMENTS

(i) During the year ended 31st December, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited ("YDM"), entered into 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"), 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). Up to 31st December, 2014, pursuant to the Subscription Agreement, a deposit of US$3 million (approximately RMB18,357,000) (2013: US$3 million (approximately RMB18,846,000)) has been paid to Everwise ("Everwise Deposit").

During the year ended 31st December, 2013, YDM and New Aims also entered into a call option agreement, pursuant to which New Aims has granted an option (''Everwise Option") to YDM at an option premium of HK$100. Pursuant to the Everwise Option, YDM can acquire an aggregate of 350 shares of Everwise which represent 35% of the issued share capital of Everwise to be held by New Aims immediately after the completion of the Subscription Agreement at an exercisable price of US$4 million. The Everwise Option is exercisable immediately after completion of the Subscription Agreement to 31st December, 2014.

Additional time is required by Everwise and its subsidiary to fulfill the conditions set out in the Subscription Agreement. On 31st December, 2013, YDM, New Aims and Everwise have agreed in writing to extend the long stop date to 30th June, 2014 in accordance with the Subscription Agreement. On 30th June, 2014, YDM, the New Aims and Everwise have agreed in writing to further extend the long stop date to 31st December, 2014. As certain conditions precedent to the Subscription Agreement were not fulfilled on 31st December, 2014 (and the long stop date was not further extended), the Subscription Agreement was terminated on the same day.

Under the Subscription Agreement, a bank account ("Joint Account") was jointly maintained by YDM and New Aims, and operated by joint signatories of the authorised representatives of each of YDM and New Aims to hold the Everwise Deposit. As at the date of the authorisation of the issue of the consolidated financial statements for the year ended 31st December, 2014, an amount of approximately US$4.87 million is held in the Joint Account.

Since the Subscription Agreement has lapsed, the option period of the Everwise Option will not commence and the Everwise Option lapsed on 31st December, 2014 accordingly.

23. DEPOSITS PAID FOR INVESTMENTS — CONTINUED

(ii) During the year ended 31st December, 2013, YDM entered into an acquisition agreement ("Acquisition Agreement") with the vendor, an independent third party ("Vendor"). Pursuant to the Acquisition Agreement, YDM conditionally agreed to acquire and the Vendor conditionally agreed to sell (i) the entire issued share capital of two companies which are incorporated in the British Virgin Islands ("Target Companies") and (ii) the shareholder loans which represent the aggregate amount as equals the entirety of the face value of the loans outstanding as at the completion date of the Acquisition Agreement made by or on behalf of the Vendor to the Target Companies and all title, benefits and interests thereon, at the consideration of US$34 million (subject to any downward adjustments). The Target Companies have entered into sale and purchase agreements to acquire the entire capital of a company incorporated in Vietnam ("Vietnam Company") which is principally engaged in the exploration of the certain mines in Vietnam which contain ilmenite, zircon, rutile and monazite ore resources. Additional time is required by the Group to conduct due diligence on the Target Companies and Vietnam Company. On 30th June, 2014, YDM and the Vendor have agreed in writing to extend the long stop date to 30th September, 2014. As certain conditions precedent to the Acquisition Agreement were not fulfilled on 15th November, 2014 (and the long stop date was not further extended), the Acquisition was terminated on the same day. Up to 31st December, 2014, pursuant to the Acquisition Agreement, an aggregate deposits of US$7 million (approximately RMB42,847,000) (2013: US$6 million (approximately RMB37,084,000)) have been paid to the Vendor ("Deposits"). In connection with the Acquisition Agreement, the charges over the entire issued share capital in Target Companies and the mortgage over the shares of the Vietnam Company in favour of YDM were made to secure repayments of the Deposits. Subsequent to 31st December, 2014, YDM entered into a memorandum of understanding with the Vendor in which YDM and the Vendor shall aim at agreeing the schedule of repayment of the Deposits on or before 1st June, 2015. The details of the memorandum of understanding are set out in the Company's announcement dated 27th March, 2015.

With the termination of the Subscription Agreement and the Acquisition Agreement, the aggregate deposits paid up to 31st December, 2014 pursuant to the Subscription Agreement and the Acquisition Agreement amounting to US$10 million (approximately RMB61,204,000) become due. The directors of the Company consider that the amount of the deposits will be repaid within one year from 31st December, 2014 and accordingly, the amount is classified as current asset (see Note 25) at 31st December, 2014.

24. INVENTORIES

	2014 **RMB'000**	2013 RMB'000
Raw materials and consumables	**19,551**	17,458
Finished goods	**21,783**	37,920
	41,334	55,378

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25. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 RMB'000
Current		
Trade receivables	1,238	9,539
Bills receivables	2,100	—
Advance payments to suppliers	4,609	4,439
Contingent consideration receivable *(Note 7)*	—	43,525
Deposits paid for investments *(Note 23)*	61,204	—
Loan receivables *(Note i)*	48,952	48,775
Deferred consideration receivable *(Note ii)*	—	41,395
Other receivables and prepayments	13,923	28,777
	132,026	176,450
Non-current		
Deferred consideration receivable *(Note ii)*	9,458	—
Amount due from Disposal Group *(Note iii)*	17,819	45,641
	27,277	45,641
	159,303	222,091

Notes:

(i) During the year ended 31st December, 2013, YDM entered into a loan agreement and subsequent 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 whereby YDM provided to Mineral Land loan facility of up to US$16 million (approximately RMB100,500,000) for a term of one year, carrying a fixed-sum interest of US$1 million 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. On 23rd January, 2014, YDM and Mineral Land have agreed in writing to extend the maturity date of the Loan Agreement from 23rd January, 2014 to 23rd January, 2015. As at 31st December, 2014, loan owed by Mineral Land is US$8 million (approximately RMB48,952,000) (2013: US$8 million (approximately RMB48,775,000)) ("Mineral Land Loan"). The loan was matured on 23rd January, 2015, YDM is in the progress to negotiate with the relevant parties for the settlement arrangement.

During the year ended 31st December, 2013, a call option deed ("Mineral Land Option Deed") was executed by Solid Success International Limited ("Solid Success"), an independent third party and the immediate holding company of Mineral Land, in favour of YDM pursuant to which Solid Success has granted a call option ("Mineral Land 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 Mineral Land Option is exercisable within a period of one year from the date when the call option deed was entered into which shall expire on 20th January, 2014. On 23rd January, 2014, YDM, Solid Success and Mineral Land have entered into a supplemental deed to extend the expiry date of the exercise period of the Mineral Land Option from 20th January, 2014 to 20th January, 2015. The Mineral Land Option Deed is expired on 20th January, 2015.

25. TRADE AND OTHER RECEIVABLES — CONTINUED

Notes: — continued

(ii) At 31st December, 2013, the amount was receivable from Feng Hua for the remaining balance of the deferred consideration for the disposal of 41.1% of the Disposal Group (as defined in Note 19). Under the original sales and purchase agreement, the amount was unsecured, interest-free and repayable on or before 30th June, 2012.

On 29th June, 2012, the Company and Feng Hua entered into a supplemental sales and purchase agreement, pursuant to which the Company and Feng Hua agreed to extend the date of repayment of the remaining balance due from Feng Hua to 30th June, 2014. The 51% equity interests 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.

On 3rd July, 2014, the Company and Feng Hua entered into another supplemental sales and purchase agreement, pursuant to which the parties agreed (i) to extend the last date of payment in full of the remaining receivable due from Feng Hua to 30th June, 2016; (ii) that Feng Hua shall pay an interest of 4% per annum on the outstanding balance from 1st July, 2014 to the date of full repayment of the outstanding balance (both days inclusive), and (iii) that the Company maintains the right to demand for early repayment of the outstanding balance (including the interest mentioned above).

During the year ended 31st December, 2014, Feng Hua repaid RMB32,350,000 and was charged an interest amounting to RMB413,000. The remaining receivable due from Feng Hua of RMB9,458,000 (2013: RMB41,395,000) as at 31st December, 2014 is classified as a non-current asset (2013: current asset).

(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 principal 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. On 3rd July, 2014, Feng Hua and the Company entered into the second supplemental shareholders agreement, pursuant to which the parties agreed to extend the last date of payment of the principal amount of RMB38,035,000 to 30th June, 2016. The directors of the Company consider that the amount will not be repaid within one year from the end of the reporting period, accordingly the amount is classified as a non-current asset and is stated at amortised cost. Taking into account the change of the estimated future net cash flows expected to be generated by the Disposal Group as detailed in Note 19, a loss of RMB11,384,000 was recognised for the year ended 31st December, 2014 that represents the difference between the present value of the future cash flows of RMB17,819,000 and the carrying amount before impairment of RMB29,203,000. As at 31st December, 2014, the carrying amount is RMB17,819,000 (2013: RMB27,128,000).

In addition, the principal amount of the remaining balance of RMB23,012,000 as at 31st December, 2013 was unsecured and interest-free. The directors of the Company considered that the amount will not be repaid within one year from 31st December, 2013, accordingly the amount was classified as non-current asset and was stated at amortised cost of RMB18,513,000 as at 31st December, 2013. During the year ended 31st December, 2014, the amount was fully repaid.

With the repayment of RMB23,012,000 from the Disposal Group during the year ended 31st December, 2014, an adjustment of RMB3,906,000 is made to its carrying amount and recognised as other gains and loss in profit or loss (see Note 7).

As the amounts due from the Disposal Group are carried at amortised cost, an imputed interest of RMB2,668,000 (2013: RMB3,899,000) is recognised as other income in profit or loss during the year ended 31st December, 2014 (see Note 12).

25. 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 receivables, presented based on the invoice date at the end of the reporting period:

	2014 **RMB'000**	2013 RMB'000
0–60 days	**3,138**	6,955
61–120 days	**200**	—
121–180 days	**—**	2,584
	3,338	9,539

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. Since no default payment history was noted and the amounts are within its credit period, the directors of the Company considered that there is no credit provision is required. As at 31st December, 2014, none of the trade receivable is past due. As at 31st December, 2013, the trade receivables of RMB2,584,000, which were aged over 121 days, were past due but not impaired as there had not been a significant change in credit quality and with no historical default of payments. The amounts was still considered recoverable. Accordingly, the directors of the Company believe that there was no credit provision required as at 31st December, 2013.

26. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	2014 **RMB'000**	2013 RMB'000
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control *(Note i)*	**26,766**	26,766
Anhui Guan Hua Group Limited *(Note ii)*	**1,129**	1,129
	27,895	27,895

The amounts due from related companies are non-trade nature, unsecured, interest-free and repayable on demand.

26. AMOUNTS DUE FROM/TO RELATED COMPANIES — CONTINUED

The amounts due to related companies are non-trade nature, unsecured and repayable on demand. At 31st December, 2014, amount of RMB88,990,000 (2013: RMB83,259,000) and RMB2,259,000 (2013: RMB7,285,000) is due to Jiangsu Yue Da, ultimate parent, and Yue Da Enterprise, a fellow subsidiary of the Company, respectively.

The amount due to Jiangsu Yue Da is interest-bearing at 7.05% per annum (2013: 7.08%). The remaining balance of amounts due to related companies are interest-free.

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:

	2014 **RMB'000**	2013 RMB'000
Hong Kong Dollars ("HK$")	**2,259**	7,285

Notes:

(i) Langfang Bureau is a non-controlling interest of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd ("Langfang Tongda").

(ii) Anhui Guan Hua Group Limited is a non-controlling interest of the Company's subsidiary, Tong Ling Guan Hua.

27. PLEDGED BANK DEPOSITS

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Group. Deposits amounting to RMB100,540,000 (2013: RMB73,750,000) are pledged to secure short-term bank loans and are therefore classified as current asset. The pledged deposits carry fixed interest rate of 3.30% (2013: 2.86%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

28. BANK BALANCES AND CASH

Cash at banks and on hands 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% (2013: 0.01% to 0.35%) per annum.

The short-term bank deposit of RMBnil (2013: RMB10,000,000) is bank deposit with original maturity over three months and carrying a fixed interest rate of 3.30% per annum.

28. BANK BALANCES AND CASH — CONTINUED

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:

	2014 RMB'000	2013 RMB'000
US$	**94**	153
HK$	**3,151**	2,248

29. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 RMB'000
Trade payables	**10,738**	7,845
Advance payments from customers	**5,421**	19,615
Accrued staff costs	**8,346**	8,473
Other tax payables	**291**	1,835
Mining fee payables *(Note)*	**3,874**	3,874
Other payables and accrued charges	**26,090**	24,451
	54,760	66,093

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

	2014 RMB'000	2013 RMB'000
0–60 days	**8,010**	5,348
61–120 days	**1,133**	1,153
over 120 days	**1,595**	1,344
	10,738	7,845

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

Note: As at 31st December, 2014, included in the other payables is mining fee payables of RMB3,874,000 (2013: RMB3,874,000) and is classified as current liability. 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.

30. AMOUNTS DUE TO DIRECTORS

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

31. BANK BORROWINGS

	2014 RMB'000	2013 RMB'000
Bank loans, repayable within one year* and shown under current liabilities		
Secured	**99,860**	70,114
Unsecured	**90,000**	137,172
	189,860	207,286

* 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 6.00% to 7.08% (2013: 1.56% to 7.08%) per annum.

As at 31st December, 2014, the bank loans of RMB99,860,000 (2013: RMB70,114,000) are secured by the Company's pledged bank deposits and the bank loans of RMB90,000,000 (2013: RMB90,000,000) 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:

	2014 RMB'000	2013 RMB'000
US$	**–**	70,114
HK$	**–**	47,172

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32. SHARE CAPITAL

	Number of shares	Amount	Shown in the consolidated financial statements
		HK$'000	RMB'000
Ordinary shares of HK$0.10 each:			
Authorised			
At 1st January, 2013, 31st December, 2013 and 2014	2,000,000,000	200,000	N/A
Issued and fully paid			
At 1st January, 2013, 31st December, 2013 and 2014	915,691,876	91,569	83,474

33. PROVISIONS

	RMB'000
Restoration, rehabilitation and environmental costs	
At 1st January, 2013	2,194
Imputed interest	25
At 31st December, 2013	2,219
Imputed interest	27
At 31st December, 2014	2,246

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 of the Company based on their best estimates and recognised on its initial recognition at an effective interest rate of 8.7% per annum.

34. 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	Withholding tax on undistributed earnings RMB'000	Total RMB'000
At 1st January, 2013	249,068	(14,820)	23,061	257,309
(Credit) charge to profit or loss	(40,443)	(5,232)	7,392	(38,283)
Reversal upon payment of withholding tax	—	—	(4,700)	(4,700)
At 31st December, 2013	208,625	(20,052)	25,753	214,326
(Credit) charge to profit or loss	(57,175)	(12,449)	—	(69,624)
Reversal upon payment of withholding tax	—	—	(4,200)	(4,200)
At 31st December, 2014	**151,450**	**(32,501)**	**21,553**	**140,502**

At the end of the reporting period, the Group had unused tax losses of approximately RMB118,588,000 (2013: RMB77,497,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such tax losses can be carried forward for five years following the loss year.

In addition, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have been recognised was RMB142,163,000 (2013: RMB182,928,000).

35. 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 expired on 28th November, 2012. Under the Scheme, the directors of the Company may grant options to any director or employee of the Company and its subsidiaries or other eligible participants, to subscribe for shares in the Company.

An option may be accepted by a participant upon payment of HK$1 per option and within such time as may be specified in the offer for grant of the option, which shall not be later than 21 days of the date of the offer. An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the directors of the Company 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.

The Scheme was terminated pursuant to a resolution passed on 9th June, 2011. Outstanding options under the Scheme shall continue to be valid and exercisable in accordance with the Scheme after its termination.

On 11th June, 2011, a new share option scheme was adopted pursuant to a resolution passed on 9th June, 2011 (the "New Scheme"). The purpose of the New Scheme is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. The New Scheme is valid for 10 years from the date of its adoption.

Under the New Scheme, the board of directors of the Company may, at its discretion, invite any eligible participant to take up options to subscribe for shares in the Company.

The eligibility of any of the eligible participants to an offer of share options shall be determined by the directors of the Company from time to time on the basis of the opinion of the directors of the Company as to his contribution to the development and growth of the Group. The eligible participants included:

(a) any eligible employee;

(b) any non-executive director (including independent non-executive director) of the Company, any of its subsidiaries or any entity in which any member of the Group holds any equity interest ("Invested Entity");

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

(d) any customer of any member of the Group or any Invested Entity;

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

35. SHARE-BASED PAYMENTS — CONTINUED

(f) 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;

(g) 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

(h) any other group or classes of participants who have 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 New Scheme, the offer of share options may be made to any company wholly owned by one or more eligible participants.

The making of an offer of share options to any director of the Company, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who or whose associate is the proposed grantee of an option).

The maximum number of the Company's shares which may be allotted and issued upon exercise of all outstanding share options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Company shall not exceed 30 per cent. of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Company if the grant of such option will result in the limit referred to in this paragraph being exceeded.

The total number of the Company's shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Company) to be granted under the New Scheme and any other share option scheme of the Company must not in aggregate exceed 10 per cent. of the Company's shares in issue at the date of approval of the New Scheme.

Options granted must be taken up not be later than 21 days from the offer date, upon payment of HK$1 per each grant. Any option under the New Scheme which has vested, in respect of which all conditions attaching to it have satisfied and which has not lapsed may be exercised at any time during the validity period of the options as specified in the offer for the grant of the options.

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35. SHARE-BASED PAYMENTS — CONTINUED

The exercise price in respect of any share option shall, subject to any adjustments made pursuant to the New Scheme for the event of any alteration in the capital structure of the Company, be at the discretion of the directors of the Company, provided that it shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Company's shares on the offer date of share options, (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date of share options, and (c) the nominal value of the Company's share.

At 31st December, 2014, the number of shares in respect of which options remained outstanding under the Scheme was 48,722,513 (2013: 40,327,430), representing 5% (2013: 4%) 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 other eligible persons during the year:

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2014	Granted during the year	Transfer during the year *(Note ii)*	Lapsed during the year	Outstanding at 31st December, 2014
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,179,069	–	–	–	1,179,069
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,978,705	–	780,661	–	3,759,366
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,591,800	–	–	–	1,591,800
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	4,584,384	–	573,048	–	5,157,432
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	3,438,288	–	429,786	–	3,868,074
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	3,438,288	–	429,786	–	3,868,074
				17,210,534	–	2,213,281	–	19,423,815

35. SHARE-BASED PAYMENTS — CONTINUED

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2014	Granted during the year	Transfer during the year *(Note ii)*	Lapsed during the year	Outstanding at 31st December, 2014
Other eligible persons	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,592,706	–	–	(111,702)	2,481,004
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	4,542,521	–	(780,661)	(74,467)	3,687,393
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	742,840	–	–	–	742,840
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	–	–	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	–	–	159,180
	16th December, 2010	1.2721	17th December, 2010 to 16th December, 2020	152,812	–	–	(152,812)	–
	16th December, 2010	1.2721	17th December, 2011 to 16th December, 2020	114,609	–	–	(114,609)	–
	16th December, 2010	1.2721	17th December, 2012 to 16th December, 2020	114,609	–	–	(114,609)	–
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	5,815,377	–	(573,048)	(254,688)	4,987,641
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	4,361,532	–	(429,786)	(191,016)	3,740,730
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	4,361,532	–	(429,786)	(191,016)	3,740,730
	23rd January, 2014	0.445	Note i	–	9,000,000	–	–	9,000,000
	2nd September, 2014	0.442	2nd September, 2014 to 1st September, 2019	–	600,000	–	–	600,000
				23,116,898	9,600,000	(2,213,281)	(1,204,919)	29,298,698
Total				40,327,432	9,600,000	–	(1,204,919)	48,727,513
Exercisable at the end of the year				32,527,612				39,722,513
Weighted average exercise price (HK$)				0.71				0.66

35. SHARE-BASED PAYMENTS — CONTINUED

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

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2013	Lapsed during the year	Outstanding at 31st December, 2013
Directors of the Company	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	1,179,069	–	1,179,069
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	2,978,705	–	2,978,705
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	1,591,800	–	1,591,800
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	4,584,384	–	4,584,384
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	3,438,288	–	3,438,288
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	3,438,288	–	3,438,288
				17,210,534	–	17,210,534

35. SHARE-BASED PAYMENTS — CONTINUED

	Date of grant	Exercise price per share HK$	Exercisable period	Outstanding at 1st January, 2013	Lapsed during the year	Outstanding at 31st December, 2013
Employees	27th May, 2009	0.8540	28th May, 2009 to 26th May, 2019	2,778,875	(186,169)	2,592,706
	9th July, 2009	0.8540	9th July, 2009 to 24th May, 2018	4,691,456	(148,935)	4,542,521
	19th April, 2010	1.6170	20th April, 2010 to 19th April, 2020	742,840	–	742,840
	19th April, 2010	1.6170	20th April, 2011 to 19th April, 2020	159,180	–	159,180
	19th April, 2010	1.6170	20th April, 2012 to 19th April, 2020	159,180	–	159,180
	16th December, 2010	1.2721	17th December, 2010 to 16th December, 2020	152,812	–	152,812
	16th December, 2010	1.2721	17th December, 2011 to 16th December, 2020	114,609	–	114,609
	16th December, 2010	1.2721	17th December, 2012 to 16th December, 2020	114,609	–	114,609
	30th January, 2012	0.5503	1st April, 2012 to 29th January, 2017	6,239,856	(424,479)	5,815,377
	30th January, 2012	0.5503	1st April, 2013 to 29th January, 2017	4,679,892	(318,360)	4,361,532
	30th January, 2012	0.5503	1st April, 2014 to 29th January, 2017	4,679,892	(318,360)	4,361,532
				24,513,201	(1,396,303)	23,116,898
Total				41,723,735	(1,396,303)	40,327,432
Exercisable at the end of the year				25,487,375		32,527,612
Weighted average exercise price (HK$)				0.71		0.71

35. SHARE-BASED PAYMENTS — CONTINUED

Notes:

(i) Pursuant to a grant letter entered between the Company and an eligible grantee ("Grantee") on 23rd January, 2014 ("Grant Letter"), share options in respect of up to a total of 9,000,000 ordinary shares of HK$0.10 each in the share capital of the Company were granted by the Company to the Grantee in consideration of the provision by the Grantee as an investment consultant engaged by the Company of certain services to the Group from time to time. The exercisable period of those share options is from the date of the exercise condition being satisfied as specified in the Grant Letter, and expire on the third anniversary of the date of grant. As at 31st December, 2014, no share options granted under the Grant Letter is exercisable.

(ii) The options transferred relates to appointment of a director, Mr. Bai Zhaoxiang on 10th October, 2014, who received the options in his capacity as an employee before the appointment as director.

The Group recognised the total expenses of RMB130,000 (2013: RMB763,000) for the year ended 31st December, 2014 in relation to the share options granted by the Company.

36. 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, bank borrowings and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors of the Company, 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.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Available-for-sale investments	**4,841**	15,964
Loans and receivables (including cash and cash equivalents)	**313,901**	339,612
Financial liabilities		
Amortised cost	**314,520**	329,614

37. FINANCIAL INSTRUMENTS — CONTINUED

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, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to a related company/directors 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.

Market risk

Currency risk

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

	Liabilities		Assets	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
US$	**—**	70,114	**110,250**	153
HK$	**2,556**	54,557	**3,151**	2,248

Sensitivity analysis

The Group is mainly exposed to HK$ and US$ exchange risk.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK$ and US$. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes amount due to a related company, amounts due to directors, promissory notes, bank borrowings and bank balances that are denominated in HK$ and US$. A positive number below indicates an increase in post-tax loss for the year where HK$ and US$ weakening 5% (2013: 5%) against the functional currency of the relevant group entities. For a 5% (2013: 5%) strengthen of HK$ and US$ against the functional currency of the relevant group entities, there would be an equal and opposite impact on the result.

37. FINANCIAL INSTRUMENTS — CONTINUED

Financial risk management objectives and policies — continued

Market risk — continued

Currency risk — continued

Sensitivity analysis — continued

	US$ Impact		HK$ Impact	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
(Profit) loss for the year	**(4,603)**	2,921	**25**	2,184

The Group's sensitivity to foreign currency has increased during the current year mainly due to an increase in liabilities that are denominated in HK$ and US$.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other receivables and pledged bank deposit. 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 (2013: 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.

37. FINANCIAL INSTRUMENTS — CONTINUED

Financial risk management objectives and policies — continued

Market risk — continued

Interest rate risk — continued

Sensitivity analysis — continued

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, 2014 would increase/decrease by RMB632,000 (2013: RMB632,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Credit risk

As at 31st December, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties or related companies is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group has concentration of credit risk on other receivables and amounts due from related companies. Other receivables were mainly due from six (2013: six) external parties. And the amounts due from related companies in non-trade nature were mainly attributed to two (2013: two) related companies.

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 of the Company consider that the Group's credit risk is significantly reduced.

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37. FINANCIAL INSTRUMENTS — CONTINUED

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
2014								
Non-derivative financial liabilities								
Trade and other payables	–	31,107	541	1,365	101	–	33,114	33,114
Amounts due to related companies	–	88,990	–	2,259	–	–	91,249	91,249
Amounts due to directors	–	297	–	–	–	–	297	297
Bank borrowings (variable rate)	6.23%	198,020	–	–	–	–	198,020	189,860
		318,414	541	3,624	101	–	322,680	314,520

37. FINANCIAL INSTRUMENTS — CONTINUED

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
2013								
Non-derivative financial liabilities								
Trade and other payables	–	27,475	1,815	969	238	–	30,497	30,497
Amounts due to related companies	–	84,944	–	7,286	–	–	92,230	92,230
Amounts due to directors	–	120	–	–	–	–	120	120
Bank borrowings (variable rate)	4.54	164,442	–	52,152	–	–	216,594	207,286
		276,981	1,815	60,407	238	–	339,441	330,133

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.

Fair value

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

The directors of the Company 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.

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).

37. FINANCIAL INSTRUMENTS — CONTINUED

Fair value — continued

Fair value measurements recognised in the consolidated statement of financial position — continued

— 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
At 1st January, 2013	20,731
Total gains recognised on profit or loss	24,394
Settlement	(1,600)
At 31st December, 2013	43,525
Settlement	(43,525)
At 31st December, 2014	–

Gain on change in fair value of contingent consideration are included in "Other gains and losses".

38. ACQUISITION OF A SUBSIDIARY

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 RMB12,000,000. Tong Ling Renewable is principally engaged in the processing and sale of tailings and leach residue of gold ores. The acquisition of Tong Ling Renewable was completed on 7th August, 2013.

38. ACQUISITION OF A SUBSIDIARY — CONTINUED

Consideration transferred

	RMB'000
Cash	12,000

Assets and liabilities at the date of acquisition recognised by the Group:

	Acquiree's carrying amount and fair value before combination RMB'000
Property, plant and equipment	20,316
Inventories	1,551
Trade and other receivables	1,493
Bank balances and cash	980
Trade and other payables	(1,068)
Amount due to a group company	(10,193)
Amount due to a related party	(2,678)
	10,401
Non-controlling interests	(520)
Goodwill	2,119
	12,000

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to RMB1,493,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected is nil.

Non-controlling interests

The non-controlling interests in Tong Ling Renewable recognised at the date of the acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of relevant subsidiary and amounted to RMB520,000.

38. ACQUISITION OF A SUBSIDIARY — CONTINUED

Goodwill arising on acquisition

	RMB'000
Consideration transferred	12,000
Plus: Non-controlling interests (5% share of net assets in Tong Ling Renewable)	520
Less: Fair value of identifiable net assets acquired	(10,401)
Goodwill arising on acquisition	2,119

The goodwill arising on the acquisition of Tong Ling Renewable is attributed to the anticipated profitability of its business from the processing and sale of the tailings and residues remained after the mining and processing of gold ores by the Group.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition

	RMB'000
Bank balances and cash acquired	980
Cash consideration paid	(12,000)
	(11,020)

Impact of acquisition on the results of the Group

Included in the Group's loss for the year ended 31st December, 2013 was profit of RMB984,000 attributable to the additional business generated by Tong Ling Renewable. Revenue included in the Group's revenue for the year ended 31st December, 2013 amounted to RMB1,519,000.

If the above acquisition had been completed on 1st January, 2013, total group revenue and loss for the year ended 31st December, 2013 would have been RMB200,945,000 and RMB142,784,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the operations of the Group that actually would have been achieved had above acquisition been completed on 1st January, 2013, nor is it intended to be projection of future results.

38. ACQUISITION OF A SUBSIDIARY — CONTINUED

Acquisition of additional interest in 2014

During the year ended 31st December, 2014, Tong Ling Guan Hua further acquired the remaining 5% equity interest of Tong Ling Renewable at a cash consideration of RMB1,500,000. An amount of RMB675,000 has been debited to the Group's other reserve at the date of acquisition for the share of other reserve of Tong Ling Guan Hua which is the difference between the carrying amount of non-controlling interests acquired and the fair value of the total consideration paid by Tong Ling Guan Hua.

39. DISPOSAL OF A SUBSIDIARY

On 27th May, 2013, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with certain third parties ("Purchasers") pursuant to which the Group has conditionally agreed to sell and the third parties have conditionally agreed to acquire the 49% equity interest in Liangshan Prefecture Yuechuan Mining Co., Limited ("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 total consideration for the disposal is RMB56,990,000. The disposal was completed during the year ended 31st December, 2014.

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

	RMB'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	705
Trade and other receivables	25,022
Amounts due from group companies	54,524
Bank balances and cash	22,424
Trade and other payables	(3,781)
	98,894
Non-controlling interests	(50,436)
	48,458
Gain on disposal	8,532
Total consideration	56,990
Satisfied by:	
Assignment of amounts due from group companies to the Purchasers	54,524
Deferred consideration (included in other receivables and prepayments)	2,466
	56,990
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(22,424)

39. DISPOSAL OF A SUBSIDIARY — CONTINUED

The deferred consideration will be settled in cash by the acquirer on or before 30th June, 2015. During the period between 1st January, 2014 and the date of disposal, Yuechuan Mining contributed no profit or loss to the Group's results. Yuechuan Mining did not have material effect on the Group's cash flow during the period.

40. RETIREMENT BENEFITS SCHEMES

The relevant PRC subsidiaries are required to make contributions to the state-managed retirement schemes in the PRC based on 20% (2013: 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% (2013: 5% or 10%) of the relevant payroll costs to the scheme, which contribution is matched by employees.

The total cost of RMB1,575,000 (2013: RMB3,083,000) recognised to profit or loss represents contributions payable to these schemes by the Group in respect of current year.

41. OPERATING LEASE COMMITMENTS

The minimum lease payments paid under operating leases in respect of rented premises and equipment during the year ended 31st December, 2014 amounted to RMB4,283,000 (2013: RMB4,860,000).

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:

	2014 RMB'000	2013 RMB'000
Within one year	**2,876**	2,872
In the second to fifth year inclusive	**41**	2,882
	2,917	5,754

Included in the above are lease commitment to a fellow subsidiary and the ultimate parent of RMB2,804,000 (2013: RMB5,600,000) 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.

42. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**7,484**	9,576

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 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.

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**	**2014 RMB'000**	2013 RMB'000
Ultimate holding company			
Jiangsu Yu Da	Interest expenses on loan	**5,732**	4,645
Immediate holding company			
Yue Da HK	Rentals paid for office premises and staff quarters by the Group *(Note)*	**2,610**	2,640
Fellow subsidiary			
Yue Da Enterprise	Rentals paid for staff quarter by the Group *(Note)*	**190**	192

43. RELATED PARTY DISCLOSURES — CONTINUED

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

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

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

As at 31st December, 2014, Jiangsu Yue Da had given corporate guarantees to banks to secure the loan facilities granted to the Group to the extent of RMB90,000,000 (2013: RMB90,000,000). The facilities are general working capital facilities and will be expired in May 2015. As at 31st December, 2014, a total amount of RMB90,000,000 (2013: RMB90,000,000) was utilised by the Group.

Details of the outstanding balances with Yue Da Enterprise are set out in Note 26.

Details of the operating lease commitment with the related parties are set out in Note 41.

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

Name of related parties	Nature of transactions	2014 RMB'000	2013 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group *(Note)*	–	1,448

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. Such agreement was ended upon the expiry of the operating rights of toll highway and bridge during the year ended 31st December, 2013.

Details of the outstanding balances with Langfang Bureau and entities under its control are set out in Note 26.

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

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

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

43. RELATED PARTY DISCLOSURES — CONTINUED

(ii) 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:

	2014 RMB'000	2013 RMB'000
Short-term benefits (including share-based payments)	**4,777**	5,519
Post-employment benefits	**314**	352
	5,091	5,871

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's principal subsidiaries as at 31st December, 2014 and 2013 are as follows:

Name of subsidiary	Country of establishment and operations	Registered capital	Attributable equity interest held indirectly by the Company		Principal activities
			2014 %	2013 %	
Baoshan Feilong Nonferrous Metal Co., Ltd. *(Note i)*	PRC	Registered capital – RMB34,500,000	**100**	100	Mining and processing zinc, copper and lead
Zhen'an County Daqian Mining Development Co., Ltd. *(Note i)*	PRC	Registered capital – RMB5,000,000	**100**	100	Mining and processing zinc and lead
Langfang Tongda *(Note ii)*	PRC	Registered capital – US$11,250,000	**51**	51	Inactive
Tengchong Ruitu Mining and Technology Company Limited *(Note i)*	PRC	Registered capital – RMB11,000,000	**100**	100	Mining and processing iron and zinc
Tong Ling Guan Hua *(Note i)*	PRC	Registered capital – RMB18,000,000	**70**	70	Mining, processing and sales of gold and processing and sale of tailings and leach residue of gold ores
Tong Ling Renewable	PRC	Registered capital – RMB12,000,000	***(Note iii)***	66.5	Processing and sale of tailings and leach residue of gold ores
Yaoan Feilong *(Note i)*	PRC	Registered capital – RMB17,400,000	**100**	100	Mining and processing zinc and lead

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY — CONTINUED

Notes:

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

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

(iii) After the completion of the acquisition of the remaining equity interest in Tong Ling Renewable by Tong Ling Guan Hua as detailed in Note 38, Tong Ling Renewable was dissolved and all its assets and liabilities were transferred to Tong Ling Guan Hua before the dissolution.

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

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

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Tong Ling Guan Hua	PRC	**30%**	30%	**(10,712)**	(1,845)	**62,099**	86,776
Individually immaterial subsidiaries with non-controlling interests						**25,867**	78,571
						87,966	165,347

45. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS — CONTINUED

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Tong Ling Guan Hua

	2014 RMB'000	2013 RMB'000
Current assets	**53,845**	38,703
Non-current assets	**336,700**	368,803
Current liabilities	**(73,645)**	(30,482)
Non-current liabilities	**(77,039)**	(87,780)
Equity attributable to owners of the Company	**176,799**	202,468
Non-controlling interests	**62,099**	86,776

	2014 RMB'000	2013 RMB'000
Revenue	**57,352**	56,784
Expenses	**(93,058)**	(62,935)
Loss for the year	**(35,706)**	(6,151)
Loss and total comprehensive expenses attributable to		
— owners of the Company	**(24,994)**	(4,306)
— non-controlling interests	**(10,712)**	(1,845)
Loss and total comprehensive expenses for the year	**(35,706)**	(6,151)
Net cash (outflow) inflow from operating activities	**(32,562)**	33,167
Net cash inflow (outflow) from investing activities	**6,732**	(13,552)
Net cash inflow (outflow) from financing activities	**27,480**	(15,588)
Net cash inflow	**1,650**	4,027

46. CONTINGENT LIABILITIES

Pursuant to a notice (the "Notice") issued by the Financial Secretary dated 16th December, 2011, the Market Misconduct Tribunal ("MMT") was required to conduct proceedings ("Proceedings") and determine matters of market misconduct which had or may have taken place arising out of dealings in the securities of the Company for the period from 12th November, 2007 to 12th September, 2008. The persons specified ("Specified Persons") in the Notice include, amongst others, Yue Da HK, a former director of Yue Da HK, a former employee of the Company, the Company and an executive director of the Company ("Executive Director").

Two preliminary conferences, a hearing and three mention hearings were held between May 2012 and February 2013 to allow the MMT to give directions, amongst others, on the following preliminary matters:

(i) time for the preparation of expert report(s) by various parties to the proceedings;

(ii) availability of Specified Persons; and

(iii) necessary arrangements to be done for one of the Specified Persons to give evidence and/or participate during the proceedings.

One statement, one supplemental statement and one consolidated statement were submitted to the MMT by an expert instructed by the Securities and Futures Commission in October 2012, November 2012 and February 2013 respectively. In February 2013, under the instructions of the Company and Executive Director, two expert reports were submitted to the MMT on their behalves.

The substantive trial hearings were held during June and July 2013. On 9th May, 2014, the MMT released its Part 1 Report in relation to the dealings in the shares of the Company between 3rd December, 2007 to 12th September, 2008 ("Part 1 Report"). According to the Part 1 Report, the MMT has determined that (among others) (i) the identity of the persons who engaged in market misconduct in the relevant period as specified in the Part 1 Report are Yue Da HK, a former director of Yue Da HK, a former employee of the Company and the Company, and (ii) Executive Director is not found culpable of any market misconduct.

The details and progress of the Proceedings are set out in the Company's announcements dated 5th April, 2012 and 9th May, 2014 respectively.

46. CONTINGENT LIABILITIES — CONTINUED

Since the Company is found by the MMT to be culpable of market misconduct, the MMT is empowered to impose (among others) order that the Company is required to pay to the Government an amount not exceeding the amount of any profit gained or loss avoided by the Company as a result of the market misconduct in question, and pay to the Government and the Securities and Futures Commission such sum as the MMT considers appropriate for the costs and expenses reasonably incurred by such authorities in relation or incidental to the proceedings or to any investigation carried out in such connection. As at the date of these consolidated financial statements were authorised for issuance, Part 2 of the MMT's report which will be dealing with the aforesaid matters has not been released. The Company may seek counsel's further advice as to whether the Company shall file an appeal with the High Court after Part 2 of the Report has been released. The directors of the Company consider that the liabilities in relation to this incident cannot be reliably estimated at this stage, a liability exists that cannot be recognised. Accordingly, no provision has been made in the consolidated financial statements.

47. EVENTS AFTER THE REPORTING PERIOD

The events after the reporting period are disclosed in Notes 2 and 23(ii).

Financial Summary

	Year ended 31st December,				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Revenue	350,816	416,795	359,059	199,175	**134,782**
Profit (loss) for the year attributable to:					
Owners of the Company	35,529	105,022	(230,293)	(141,351)	**(223,996)**
Non-controlling interests	8,073	(4,398)	(2,351)	(4,104)	**(12,444)**
	43,602	100,624	(232,644)	(145,455)	**(236,440)**

	As at 31st December,				
	2010 RMB'000	2011 RMB'000	2012 RMB'000	2013 RMB'000	**2014** **RMB'000**
Assets and liabilities					
Total assets	2,195,974	1,892,895	1,576,878	1,509,457	**1,100,842**
Total liabilities	(996,223)	(658,991)	(513,266)	(590,017)	**(483,324)**
	1,199,751	1,233,904	1,063,612	919,440	**617,518**
Equity attributable to owners of the Company	928,006	1,038,566	894,681	754,093	**529,552**
Non-controlling interests	271,745	195,338	168,931	165,347	**87,966**
	1,199,751	1,233,904	1,063,612	919,440	**617,518**