



YUE DA INTERNATIONAL HOLDINGS LIMITED

悅達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 629)



Interim Report
2019

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Corporate Information

BOARD OF DIRECTORS:

Non-executive directors

Mr. Tang Rujun

(Chairman of the Board)

(appointed on 21st March 2019)

Mr. Li Biao

(appointed on 21st March 2019)

Mr. Wang Lianchun

(resigned on 21st March 2019)

Mr. Qi Guangya

(resigned on 21st March 2019)

Executive directors

Mr. Liu Debing

(Vice Chairman of the Board)

(appointed on 21st March 2019)

Mr. Hu Huaimin *(Chief Executive)*

Mr. Cai Baoxiang *(Vice Chief Executive)*

Mr. Bai Zhaoxiang

(Vice Chief Executive and CFO)

(appointed on 21st March 2019)

Mr. Wen Songmao

(resigned on 21st March 2019)

Mr. Mao Naihe

(resigned on 21st March 2019)

Independent non-executive directors

Mr. Cui Shuming

Dr. Liu Yongping

Mr. Cheung Ting Kee

AUDIT COMMITTEE:

Mr. Cheung Ting Kee *(Chairman)*,

Mr. Liu Debing and Mr. Cui Shuming

REMUNERATION COMMITTEE:

Mr. Cui Shuming *(Chairman)*,

Mr. Liu Debing and Dr. Liu Yongping

NOMINATION COMMITTEE:

Mr. Tang Rujun *(Chairman)*,

Mr. Cui Shuming and Dr. Liu Yongping

AUTHORISED REPRESENTATIVES:

Mr. Hu Huaimin

Mr. Bai Zhaoxiang

COMPANY SECRETARY:

Mr. Shum Chi Chung *FCCA*

AUDITOR:

Deloitte Touche Tohmatsu,

Certified Public Accountants

LEGAL ADVISERS AS TO HONG KONG LAW:

Jun He Law Offices

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE:

Conyers 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 Construction Bank
Bank of Communication
Standard Chartered Bank



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2019

	NOTES	Six months ended	
		30.6.2019 RMB'000 (unaudited)	30.6.2018 RMB'000 (unaudited)
Revenue			
Contracts with customers	3A	24,064	41,068
Interests		18,488	8,223
Total revenue		42,552	49,291
Cost relating to inventories sold		(15,081)	(20,492)
Cost relating to services rendered		(1,425)	(1,092)
Other income		1,191	2,698
Other gains (losses), net	4	2,621	(19,549)
Administrative expenses		(13,427)	(21,857)
Finance costs	5	(6,702)	(6,300)
Profit (loss) before tax		9,729	(17,301)
Income tax charge	6	(5,805)	(997)
Profit (loss) and total comprehensive income (expense) for the period	7	3,924	(18,298)
Profit (loss) and total comprehensive income (expense) for the period attributable to:			
Owners of the Company		3,924	(17,378)
Non-controlling interests		–	(920)
		3,924	(18,298)
Earnings (loss) per share	9		
– Basic		RMB0.34 cents	RMB(1.49) cents
– Diluted		RMB0.34 cents	RMB(1.49) cents

Condensed Consolidated Statement of Financial Position

At 30th June, 2019

	<i>NOTES</i>	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	10	42,468	44,472
Right-of-use assets	10	7,246	–
Prepaid lease payments		–	5,566
Mining rights	11	207,105	208,209
Long term deposits		8,115	8,115
Deferred tax assets		569	647
		265,003	267,009
Current Assets			
Prepaid lease payments		–	221
Inventories		18,306	18,042
Trade and other receivables	12	561,701	709,565
Amounts due from related companies	13	2,441	6,100
Tax receivable		887	335
Cash and cash equivalents	14	201,118	162,563
		784,453	896,826
Current Liabilities			
Trade and other payables	15	21,814	71,747
Contract liabilities		7,854	13,927
Lease liabilities		1,457	–
Amounts due to related companies		275,937	188,269
Amounts due to directors		320	329
Corporate bonds		–	147,304
Taxation payable		3,425	6,330
		310,807	427,906
Net Current Assets		473,646	468,920
Total Assets Less Current Liabilities		739,149	735,929

Condensed Consolidated Statement of Financial Position

At 30th June, 2019

	NOTES	30.6.2019 RMB'000 (unaudited)	31.12.2018 RMB'000 (audited)
Capital and Reserves			
Share capital	16	105,965	105,965
Reserves		234,796	230,872
Equity attributable to owners of the Company		340,761	336,837
Non-current Liabilities			
Bank borrowing		347,278	348,624
Lease liabilities		177	–
Provisions		1,911	1,911
Deferred tax liabilities		49,022	48,557
		398,388	399,092
		739,149	735,929

Condensed Consolidated Statement Of Changes in Equity

For the six months ended 30th June, 2019

	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
At 1st January, 2018 (audited)	105,965	967,576	30,012	157,178	21,717	11,745	(40,938)	(869,903)	383,352	28,870	412,222
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	(17,378)	(17,378)	(920)	(18,298)
Forfeiture of share options	-	-	-	-	-	(10,976)	-	10,978	-	-	-
At 30th June, 2018 (unaudited)	105,965	967,576	30,012	157,178	21,717	769	(40,938)	(876,305)	365,974	27,950	393,924
At 1st January, 2019 (audited)	105,965	967,576	22,216	157,178	21,717	769	(40,263)	(898,321)	336,837	-	336,837
Profit and total comprehensive income for the period	-	-	-	-	-	-	-	3,924	3,924	-	3,924
Forfeiture of share options	-	-	-	-	-	(769)	-	769	-	-	-
Disposal of a subsidiary	-	-	-	-	(1,347)	-	-	1,347	-	-	-
At 30th June, 2019 (unaudited)	105,965	967,576	22,216	157,178	20,370	-	(40,263)	(892,281)	340,761	-	340,761

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2019

	Six months ended	
	30.6.2019 RMB'000 (unaudited)	30.6.2018 RMB'000 (unaudited)
Net cash from (used in) operating activities	58,026	(372,766)
Net cash from (used in) investing activities		
Purchase of property, plant and equipment	(1,395)	(5,247)
Proceeds from disposal of property, plant and equipment	–	82
Repayment from related companies	6,100	17
Advance to related companies	(209)	(7,980)
Repayment of loan receivable	–	5,767
Deposit refunded for investments	–	1,813
Other investing cash flows	845	543
	5,341	(5,005)
Net cash (used in) from financing activities		
Bank borrowings raised	–	331,343
Repayment of corporate bonds	(144,594)	–
Repayment to related companies	(32,136)	(428,141)
Advance from related companies	157,865	307,109
Other financing cash flows	(5,947)	(5,081)
	(24,812)	205,230
Net increase (decrease) in cash and cash equivalents	38,555	(172,541)
Cash and cash equivalents at beginning of the period	162,563	506,240
Cash and cash equivalents at end of the period, represented by bank balances and cash	201,118	333,699

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than change in accounting policies resulting from application of new and amendments and interpretation to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the preparation of condensed consolidated financial statements for the six months ended 30th June, 2019 are the same as those applied in the preparation of the Group’s annual financial statements for the year ended 31st December, 2018.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments and interpretation to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments and interpretation to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of certain properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are presented as separate line item

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease liabilities (Continued)

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 “Determining whether an Arrangement contains a Lease” and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review; and
- (ii) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB2,249,000 and right-of-use assets of RMB8,036,000 at 1st January, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee’s incremental borrowing rate applied is 6.10%.

	At 1st January, 2019 RMB'000
Operating lease commitments disclosed as at 31st December, 2018	6,095
Lease liabilities discounted at relevant incremental borrowing rates	5,880
Less: Recognition exemption – short-term leases	(3,631)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1st January, 2019	2,249
Analysed as	
Current	1,990
Non-current	259
	2,249

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	<i>Note</i>	At Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		2,249
Reclassified from prepaid lease payments	(a)	5,787
		8,036
By class:		
Leasehold lands		5,787
Land and buildings		2,249
		8,036

Note:

- (a) Upfront payments for leasehold lands in the People's Republic of China (the “PRC”) were classified as prepaid lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB221,000 and RMB5,566,000 respectively were reclassified to right-of-use assets.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1st January, 2019.

	Impact of adopting HKFRS 16 at 1st January, 2019 RMB'000
Accumulated losses	
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	2,249
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	(2,249)
Impact at 1st January, 2019	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (Continued)

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2018 RMB'000	Impacts of adopting HKFRS 16 RMB'000	Carrying amounts under HKFRS 16 at 1st January, 2019 RMB'000
Non-current Assets			
Prepaid lease payments	5,566	(5,566)	-
Right-of-use assets	-	8,036	8,036
Current Assets			
Prepaid lease payments	221	(221)	-
Current Liabilities			
Lease liabilities	-	(1,990)	(1,990)
Non-current liabilities			
Lease liabilities	-	(259)	(259)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30th June, 2019, movements in working capital have been computed based on opening statement of financial position as at 1st January, 2019 as disclosed above.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue

For the six months ended 30th June, 2019

	Mining Operations RMB'000	Factoring Related Business RMB'000
Types of goods or service		
Sale of zinc, lead and copper ore concentrates	16,972	–
Management fee from accounts receivable management and collection services	–	7,092
Total	16,972	7,092
Timing of revenue recognition		
A point of time	16,972	–
Overtime	–	7,092
Total	16,972	7,092

All the revenue from contracts with customers are derived from the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Mining Operations RMB'000	Factoring Related Business RMB'000
Revenue disclosed in segment information	16,972	25,580
Less: Interest income	–	(18,488)
Revenue from contracts with customers	16,972	7,092

For the six months ended 30th June, 2018

	Mining Operations RMB'000	Factoring Related Business RMB'000
Types of goods or service		
Sale of zinc, lead and copper ore concentrates	30,528	–
Sale of gold and stone for construction from gold mine	2,518	–
Management fee from accounts receivable management and collection services	–	8,022
Total	33,046	8,022
Timing of revenue recognition		
A point of time	33,046	–
Overtime	–	8,022
Total	33,046	8,022

All the revenue from contracts with customers are derived from the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3A. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Mining Operations RMB'000	Factoring Related Business RMB'000
Revenue disclosed in segment information	33,046	16,245
Less: Interest income	–	(8,223)
Revenue from contracts with customers	33,046	8,022

3B. 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 mainly zinc, lead, copper, and gold ("Mining Operations")
- provision of factoring services and accounts receivable management and collection services ("Factoring Related Business")



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3B. SEGMENT INFORMATION (CONTINUED)

Segment result

The CODM reviewed the segment results, other income, other gains and losses as described below, central administration costs and finance costs for the purposes of resource allocation and performance assessment.

For the six months ended 30th June, 2019

	Mining Operations RMB'000	Factoring Related Business RMB'000	Consolidated RMB'000
Segment revenue – external	16,972	25,580	42,552
Segment (loss) profit	(3,174)	21,526	18,352
Other income			1,191
Other gains and losses			
– Net foreign exchange gains			2,550
– Gain on disposal of a subsidiary			87
– Impairment loss allowance for financial assets, net			(16)
Central administration costs			(5,733)
Finance costs			(6,702)
Profit before tax			9,729

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

3B. SEGMENT INFORMATION (CONTINUED)

Segment result (Continued)

For the six months ended 30th June, 2018

	Mining Operations RMB'000	Factoring Related Business RMB'000	Consolidated RMB'000
Segment revenue – external	33,046	16,245	49,291
Segment profit	128	13,414	13,542
Other income			2,698
Other gains and losses			
– Net foreign exchange losses			(19,580)
– Gain on disposal of property, plant and equipment			31
Central administration costs			(7,692)
Finance costs			(6,300)
Loss before tax			(17,301)

4. OTHER GAINS (LOSSES), NET

	Six months ended	
	30.6.2019 RMB'000	30.6.2018 RMB'000
Net foreign exchange gains (losses)	2,550	(19,580)
Gain on disposal of property, plant and equipment	–	31
Gain on disposal of subsidiaries (Note 18)	87	–
Impairment loss allowance for financial assets, net	(16)	–
	2,621	(19,549)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

5. FINANCE COSTS

	Six months ended	
	30.6.2019 RMB'000	30.6.2018 RMB'000
Interest on bank borrowing wholly repayable within five years	2,874	395
Interest on corporate bonds	3,270	5,300
Interest on loan from related parties	546	605
Interest on lease liabilities	12	–
	6,702	6,300

6. INCOME TAX CHARGE

	Six months ended	
	30.6.2019 RMB'000	30.6.2018 RMB'000
Current tax		
– The PRC Enterprise Income tax	(5,262)	(876)
Deferred tax	(543)	(121)
	(5,805)	(997)

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. The applicable tax rates of those PRC subsidiaries is 25% for the six months ended 30th June, 2019 (for the six months ended 30th June, 2018: 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

7. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD

	Six months ended	
	30.6.2019 RMB'000	30.6.2018 RMB'000
Profit (loss) and total comprehensive income (expense) for the period has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (included in cost relating to inventories sold)	1,104	1,506
Depreciation of property, plant and equipment	3,399	4,361
Depreciation of right-of-use assets	1,265	–
Release of prepaid lease payments	–	221
Total depreciation and amortisation	5,768	6,088
Interest income from bank deposits	(1,092)	(543)

8. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2019. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2019 RMB'000	30.6.2018 RMB'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company and earnings (loss) for the purposes of basic and diluted earnings (loss) per share	3,924	(17,378)
	Number	Number
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,168,626,516	1,168,626,516

The computation of the diluted earnings (loss) per share does not assume the exercise of the share options because the exercise price of those options was higher than the average market price for shares.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30th June, 2019, the Group incurred RMB1,395,000 (for the six months ended 30th June, 2018: RMB5,247,000) on the purchase of property, plant and equipment.

During the current interim period, the Group entered into a new lease agreement for the use of staff quarter for two years. The Group is required to make fixed monthly payments during the contract period. Once lease commencement, the Group recognised RMB449,000 of right-of-use asset and RMB445,000 of lease liability.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

11. MINING RIGHTS

	RMB'000
COST	
At 1st January, 2019 and 30th June, 2019	574,444
AMORTISATION AND IMPAIRMENT	
At 1st January, 2019	366,235
Charge for the period	1,104
At 30th June, 2019	367,339
CARRYING VALUE	
At 30th June, 2019	207,105
At 31st December, 2018	208,209

The mining rights represent the rights to conduct mining activities in various locations in the PRC, and have legal lives of one year. As at 30th June, 2019, the Group's mining rights are expiring in October 2019. 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 actual production quantity for the period over 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.

During the six months ended 30th June, 2019, no impairment loss was recognised on mining rights and production assets included in the Group's property, plant and equipment.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

12. TRADE AND OTHER RECEIVABLES

	30.6.2019	31.12.2018
	RMB'000	RMB'000
Current		
Trade receivables	1,333	–
Factoring receivables	552,724	630,413
Advance payments to suppliers	869	2,520
Deposits paid for investments (<i>Note i</i>)	–	38,202
Loan receivable (<i>Note ii</i>)	–	32,637
Other receivables and prepayments	6,775	5,793
	561,701	709,565

Notes:

- (i) As at 31st December, 2018, aggregate deposits of US\$5,963,000 (approximately RMB40,924,000) have been paid to the Vendor pursuant to the Acquisition Agreement (as defined below) (the “Deposits”).

During the year ended 31st December, 2013, a wholly owned subsidiary of the Company, Yue Da Mining Limited (“YDM”), entered into an acquisition agreement (the “Acquisition Agreement”) with an independent third party.

The details and progress of the Acquisition Agreement up to 31st December, 2018 is set out in the Company’s 2018 annual report.

As at 31st December, 2018, the aggregate carrying amount of the Deposits was RMB38,202,000 with net accumulated impairment loss of RMB2,723,000.

On 20th March, 2019, the Company and Yue Da Group (H.K.) Co., Limited (“YDHK”), a shareholder of the Company, entered into the conditional sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell, and Yue Da HK has conditionally agreed to purchase the entire equity interest of YDM, at an aggregate consideration of US\$5.60 million (equivalent to approximately RMB38.40 million). The principal asset of YDM is the Deposits. The transaction was completed during the current interim period. Further details of this transaction are set out in the Company’s announcements dated 20th March, 2019 and Note 18.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

- (ii) YDM entered into a loan agreement on 21st January, 2013 and subsequent supplemental agreement on 30th January, 2013 (collectively referred to as the "Loan Agreements") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party, whereby YDM provided to Mineral Land a loan facility of up to US\$16 million (approximately RMB100,500,000). US\$8 million was drawn by Mineral Land since the Loan Agreements had been entered into. The facility is secured by a pledge of 60% equity interest in a company incorporated in Vietnam and is also guaranteed by an independent third party ("Guarantor").

As at 31st December, 2018, the principal amount of the outstanding loan owed by Mineral Land was US\$4,800,000 (approximately RMB32,943,000).

The details and progress of the Loan Agreement up to 31st December, 2018 is set out in the Company's 2018 annual report.

On 11th December, 2018, YDM, Mineral Land, Guarantor and an assignee ("Assignee") entered into a loan assignment ("Loan Assignment"), pursuant to which YDM has conditionally agreed to sell and Assignee has conditionally agreed to purchase the outstanding loan owned by Mineral Land (at principal amount of US\$4.8 million) at a consideration of US\$4.8 million. Pursuant to the Loan Assignment, the Group received the entire consideration of US\$4.8 million (approximately RMB32,942,000) up to 31st December, 2018.

As at 31st December, 2018, the aggregate carrying amount of the outstanding loan owed by Mineral Land was RMB32,637,000 with net accumulated impairment loss of RMB305,000.

During the current interim period, the completion of the Loan Assignment is taken place.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

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

	30.6.2019	31.12.2018
	RMB'000	RMB'000
0 – 60 days	1,333	–

13. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2019	31.12.2018
	RMB'000	RMB'000
Yue Da Capital Co., Limited (“Yue Da Capital”) <i>(Note 1)</i>	–	6,100
YDM <i>(Note 5)</i>	2,232	–
Jiangsu Yue Da Group Limited (“Jiangsu Yue Da”) <i>(Note 3)</i>	162	–
Lao Yuanxin Minerals Developments Co., Ltd <i>(Yuanxin) (Note 2)</i>	47	–
	2,441	6,100

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

13. AMOUNTS DUE FROM/TO RELATED COMPANIES (CONTINUED)

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

	Due to	
	30.6.2019	31.12.2018
	RMB'000	RMB'000
YDHK (Note 2)	123,734	146,767
Jiangsu Yue Da Group Finance Co., Ltd ("Jiangsu Yue Da Group Finance") (Note 2)	18,000	18,000
Yue Da Enterprise (Group) HK Co., Ltd. ("Yue Da Enterprise")	8,346	8,034
Absolute Apex Limited ("Absolute Apex") (Note 2)	–	9,457
Tong Ling Guan Hua Mining Co., Ltd. ("Tong Ling Guan Hua") (Note 2)	5,951	5,951
Yaoan Jin San Jiang Co., Ltd ("Yaoan Jin San Jiang") (Note 2)	60	60
Yue Da Capital	4,800	–
Yue Da Capital (H.K.) Limited ("Yue Da Capital HK") (Note 4)	115,046	–
	275,937	188,269

The amounts due to related companies are non-trade nature and unsecured. The amount due to Jiangsu Yue Da Group Finance is interest-bearing at 6% per annum (31st December, 2018: 6% per annum) and repayable within one year. The remaining balance of amounts due to related companies are interest-free and repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

13. AMOUNTS DUE FROM/TO RELATED COMPANIES (CONTINUED)

Notes:

- (1) Yue Da Capital is the intermediate holding company of the Company.
- (2) YDHK, Jiangsu Yue Da Group Finance, Absolute Apex, Tong Ling Guan Hua, Yuanxin and Yaoan Jin San Jiang are fellow subsidiaries of the Company.
- (3) Jiangsu Yue Da is the ultimate holding company of the Company.
- (4) Yue Da Capital HK is the immediate holding company of the Company.
- (5) YDM becomes a fellow subsidiary of the Company upon the completion of the disposal of 100% equity in YDM as set out in Note 18.

14. CASH AND CASH EQUIVALENTS

As at 30th June, 2019, the Group's cash and cash equivalents of RMB169,043,000 are deposited with Jiangsu Yue Da Group Finance, a finance company of enterprise group regulated by China Banking Regulatory Commission and a fellow subsidiary of the Group (31st December, 2018: RMB68,049,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

15. TRADE AND OTHER PAYABLES

	30.6.2019	31.12.2018
	RMB'000	RMB'000
Trade payables	5,052	9,518
Other payables	16,762	62,229
	21,814	71,747

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

	30.6.2019	31.12.2018
	RMB'000	RMB'000
0 – 60 days	4,136	1,895
61 – 120 days	135	3,295
Over 120 days	781	4,327
	5,052	9,518

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000	Shown in the condensed consolidated financial statements RMB'000
Ordinary shares of HK\$0.10 each: Issued and fully paid At 1st January, 2018, 31st December, 2018 and 30th June, 2019	1,168,626,516	116,862	105,965

17. BANK BORROWING

	30.6.2019 RMB'000	31.12.2018 RMB'000
Bank loan, repayable more than two years, but not exceeding five years* and shown under non-current liabilities	347,278	348,624

* The amount due is based on scheduled repayment date set out on the loan agreement.

As at 30th June, 2019, bank loan amounting RMB347,278,000 (31st December, 2018: RMB348,624,000) is guaranteed by Yue Da Capital.

During the six months ended 30th June, 2018, the Group obtained new bank loan amounting EUR44,426,000 (approximately RMB331,343,000).

The range of effective interest rate (which are also equal to contracted interest rate) on the Group's borrowing is 1.39% (31st December, 2018: 1.39%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

18. DISPOSAL OF SUBSIDIARIES

On 20th March, 2019, the Company, entered into a sale and purchase agreement with YDHK pursuant to which the Company has agreed to sell and YDHK has conditionally agreed to acquire the 100% equity interest in YDM. The total consideration for the disposal is US\$5.6 million (equivalent to approximately RMB38.40 million). The principal asset of YDM is the Deposits (as detailed in Note 12). The disposal was completed during the current interim period.

The following are the net assets disposed of on the date of completion:

	RMB'000
Net assets disposed of:	
Trade and other receivables	39,604
Cash and cash equivalents	247
Amounts due to group entities	(2,232)
	37,169
Gain on disposal	87
	37,706
Total consideration	37,706
Satisfied by:	
Amount due to a related company	37,706
	37,706
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	(247)
	(247)

During the period between 1st January, 2019 and the date of disposal, YDM and its subsidiaries contributed no material profit or loss to the Group's results. YDM and its subsidiaries did not have material effect on the Group's cash flow during the current interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

19. 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. The Company is ultimately controlled by the PRC government. The Company's parent is Yue Da Capital 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.

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2019 RMB'000	30.6.2018 RMB'000
<i>A shareholder of the Company</i>			
YDHK	Rentals paid for office premises and staff quarter by the Group <i>(Note)</i>	1,362	1,268
<i>Fellow subsidiary</i>			
Yue Da Enterprise	Rentals paid for staff quarters by the Group <i>(Note)</i>	278	258
Jiangsu Yue Da Group Finance	Interest expenses on loan	546	605

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

Details of the outstanding balance with Jiangsu Yue Da and its subsidiaries are set out in Notes 13 and 14.

Details of the guarantee provided by Yue Da Capital are set out in Note 17.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

19. RELATED PARTY DISCLOSURES (CONTINUED)

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

(b) 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.

(ii) Compensation of key management personnel:

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

	Six months ended	
	30.6.2019	30.6.2018
	RMB'000	RMB'000
Short-term benefits	2,122	1,038
Post-employment benefits	144	92
	2,266	1,130

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2019

20. CAPITAL COMMITMENTS

	30.6.2019	31.12.2018
	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	185	555

21. EVENTS AFTER THE REPORTING PERIOD

23th July, 2019, the Company and YDHK entered into the share purchase agreement, pursuant to which the Company has conditionally agreed to sell and YDHK has conditionally agreed to purchase the entire issued share capital of Yuelong Limited at a consideration of RMB230.8 million. The principal asset of Yuelong Limited is its investment in a wholly owned subsidiary, Baoshan Feilong Nonferrous Metal Co., Ltd. which is engaged in exploration, mining, processing and sales of metal minerals. Further details of this transaction are set out in the Company's announcement dated 23th July, 2019.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The mining operations and the factoring business of Group recorded an operating revenue of RMB16,972,000 and RMB25,580,000 respectively for the six months ended 30th June 2019 (the “Period”), the mining operations and factoring business revenues decreased and increased by approximately 48.6% and 57.5% when compared with RMB33,046,000 and RMB16,245,000 respectively in 2018. The profit and total comprehensive income attributable to the owners of the Company for the Period was RMB3,924,000 (corresponding period of last year: loss of RMB17,378,000) and basic earnings per share was RMB0.34 cents (corresponding period of last year: loss of RMB1.49 cents).

During the Period, the Company continued its business transformation by trying to dispose the remaining mining operation of Baoshan. On 23rd July 2019, a Sales and Purchase agreement in respect of the entire share capital of Yuelong Limited (“Yuelong”) was made between the Company (the Seller) and Yue Da Group (H.K.) Co., Ltd (the Purchaser). Upon the approval by independent shareholders in the upcoming extraordinary general meeting, the Baoshan mining operation which was the major assets of Yuelong, will be discontinued in the Group.

INTERIM DIVIDEND

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

BUSINESS REVIEW

During the Period under review, the Group was principally engaged in exploration, mining and processing of metal minerals in the People’s Republic of China (“PRC”) (the “Mining Operations”) and Factoring Related Business (the “Factoring Operations”).



Management Discussion and Analysis

MINING OPERATIONS

During the Period, the Mining Operations realized an operating revenue of RMB16,972,000 (corresponding period of last year: RMB33,046,000) with a segment loss of RMB3,174,000 (corresponding period of last year: Segment profit RMB128,000). The ores extracted during the Period amounted to 28,604 tons, representing a decrease of 26.7% over 39,000 tons in the corresponding period of last year, with a unit mining cost (excluding gold ores) of approximately RMB336 per ton (corresponding period of last year: RMB211 per ton) and a unit processing cost (excluding gold ores) of approximately RMB186 per ton (corresponding period of last year: RMB139 per ton).

Baoshan Feilong Nonferrous Metal Co., Ltd. (“Baoshan Feilong”), a subsidiary of the Company, conducts mining operations in Baoshan City, Yunnan Province of the PRC. Major products include zinc ore concentrates, lead ore concentrates and copper ore concentrates. Prices of these products were lower than the corresponding period of last year. Besides, production level also dropped because additional run-in time was required for a new mine to attain normal capacity. As a result, operating revenue from mining operations decreased by 48.6% from corresponding period of last year.

Performance

The table below sets out the Mining Operations by products for the six-months periods ended 30th June 2019 and 2018:

	Processing Volume			Average price (net of tax)		
	2019	2018	% Change	2019	2018	% Change
Zinc ore concentrates (in metric tons)	516	964	-46.47	12,685	15,164	-16.35
Lead ore concentrates (including silver) (in metric tons)	55	136	-59.56	12,930	14,672	-11.87
Copper ore concentrate (in metric tons)	13	32	-59.38	30,963	37,264	-16.91

Management Discussion and Analysis

MINING OPERATIONS (CONTINUED)

Strategic Co-operation

Two strategic co-operation agreements with a term of 10 years were entered into by the Group with Zhuzhou Smelter Group Co. Limited (“Zhuzhou Smelter”) and Yunnan Yuntong Zinc Alloy Company Limited (“Yunnan Yuntong”). The above agreements continued to be in force during the Period.

FACTORING OPERATIONS

During the Period, the Factoring Operations recorded an operating revenue of RMB25,580,000 (corresponding period of last year: RMB16,245,000) with a segment profit of RMB21,526,000 (corresponding period of last year: RMB13,414,000). Loans with total principal amount of RMB555,000,000 was granted as at 30th June 2019 (31st December 2018: RMB633,000,000), and recorded interest income and administration fee income of RMB18,488,000 (corresponding period of last year: RMB8,223,000) and RMB7,092,000 (corresponding period of last year: RMB8,022,000) respectively during the Period.

IMPORTANT EVENTS DURING THE PERIOD

Investment in Vietnam

As at 30th June, 2019, all outstanding receivables in Vietnam by the Group are nil.

On 11th December 2018, Yue Da Mining Limited (“YDM”) and Daiichi Kigenso Kagaku Kogyo Co Limited (“Daiichi”) entered into a loan assignment agreement (“Loan Assignment”). Pursuant to the Loan Assignment, YDM has conditionally agreed to transfer and Daiichi has conditionally agreed to accept to the rights, title, interest and benefits in and to the Loan with a consideration of US\$4.8 million. On 31st January, 2019, all conditions as stated in the Loan Assignment was fully fulfilled and the Loan was fully settled.



Management Discussion and Analysis

IMPORTANT EVENTS DURING THE PERIOD (CONTINUED)

Investment in Vietnam (Continued)

On 20th March, 2019, the Company, as the seller, and Yue Da Group (H.K.) Co., Limited (“YDHK”), as the purchaser, entered into a Sales and Purchase Agreement (“S&P Agreement”) to transfer the entire share capital of YDM at a consideration of US\$5,600,000. The Sao Mai deposits form the major part of the assets of YDM. The transaction was completed upon passing the resolutions in the Extraordinary General Meeting on 20th May, 2019. As a result, the Sao Mai deposits was disposed by the Group under the S&P Agreement.

PROSPECTS

The Company has reached an agreement with YDHK to dispose the Baoshan Feilong mining business on 23rd July, 2019. Upon passing the resolutions in the upcoming Extraordinary General Meeting, the Group will completely cease the mining business and complete the business transformation.

Looking forward to the second half of 2019, the Group will focus on the factoring business in the future. We will actively expand the customer base and will explore business opportunities in the area of consumer finance in the telecommunication industry. The Directors endeavor to seek more business opportunities in the financial industry to diversify the Group’s existing business stream to enhance the long-term benefits of the Company and the shareholders as a whole.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2019, the Group’s current assets were RMB784,453,000 (31st December, 2018: RMB896,826,000), of which RMB201,118,000 (31st December, 2018: RMB162,563,000) were bank balances and cash on hand. As at 30th June, 2019, the net asset value of the Group amounted to RMB340,761,000, representing an increase of approximately 1.16% as compared to RMB336,837,000 at 31st December, 2018. The gearing ratio (total liabilities/total assets) of the Group was approximately 67.5% (31st December, 2018: 71.1%).

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (CONTINUED)

As at 30th June, 2019, the share capital of the Company was RMB105,965,000 (31st December, 2018: RMB105,965,000). The Group's reserve were RMB234,796,000 (31st December, 2018: RMB230,872,000). As at 30th June, 2019, the Group had total current liabilities of RMB310,807,000 (31st December, 2018: RMB427,906,000), mainly comprising trade and other payables and amount due to related companies. The total non-current liabilities of the Group amounted to RMB398,388,000 (31st December, 2018: RMB399,092,000), which were mainly bank borrowings, provisions and deferred tax liabilities.

CAPITAL STRUCTURE OF THE GROUP

The capital structure of the Group consists of debts, which include bank borrowings, amounts due to related companies and amounts due to directors and equity reserves attributable to owners of the Company, comprising issued share capital and various reserves.

The Directors review the capital structure on a semi-annual basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the Directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and Euro. The Group was not engaged in any hedging by financial instruments in relation to exchange rate risk.

The Group recorded foreign net exchange gains amounting to RMB2,550,000 during the Period mainly due to appreciation of Renminbi which decrease the value in Renminbi of liabilities denominated in currencies other than Renminbi. The Group is closely monitoring the risk and will apply appropriate hedging instruments when it is needed.



Management Discussion and Analysis

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2019, the Group did not have any guarantees and charges nor any other material contingent liabilities (31st December, 2018: nil).

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2019, the Group had a total of approximately 333 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 Period, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

Other Information

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

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 Period, except that (i) Mr. Li Biao, being a non-executive Director was not able to attend the annual general meeting of the Company held on 20th May, 2019 (the "2018 AGM") and the extraordinary general meeting of the Company held on 20th May 2019 (the "EGM") due to his other business commitments. Nevertheless, this Director has passed his opinion to the chairman of the 2018 AGM and the EGM before its commencement; and (ii) 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 the Directors, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Period.



Other Information

AUDIT COMMITTEE

The Company's audit committee currently comprises Mr. Cheung Ting Kee (Chairman of the audit committee, an independent non-executive Director), Mr. Liu Debing (an executive Director and Vice Chairman of the Board) 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 1st August, 2019, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee with written terms of reference, whose members are currently Mr. Cui Shuming (Chairman of the remuneration committee, an independent non-executive Director), Dr. Liu Yongping (an independent non-executive Director) and Mr. Liu Debing (an executive Director and Vice Chairman of the Board). 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. Tang Rujun (Chairman of the nomination committee, a non-executive Director and Chairman of the Board), Mr. Cui Shuming (an independent non-executive Director) and Dr. Liu Yongping (an independent non-executive Director). Duties of the nomination committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge and experience.

Other Information

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

As at 30th June, 2019, the interests of each Director and their associates in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Name of the company/associated corporation	Capacity	Number of ordinary shares of the Company (“Shares”) <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Hu Huaimin	The Company	Beneficial owner	1,130,666	0.10%

Notes:

- All interests in the Shares and underlying shares of the Company were long positions. None of the Directors held any short position in the Shares and underlying shares of the Company.

Save as disclosed above and in this interim report, as at 30th June, 2019, none of the Directors, chief executives nor their associates had any interests or short positions in any Shares and underlying shares of the Company or any of the Company’s associated corporations.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTEREST

The register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, as at 30th June, 2019, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Name of the Shareholder	Name of the company/associated corporation	Capacity	Number of Shares <i>(Note 1)</i>	Approximate percentage in the entire issued share capital of the Company
Yue Da Capital (H.K.) Limited	The Company	Beneficial owner	600,000,000	51.34%
Yue Da Group (H.K.) Co., Limited	The Company	Beneficial owner	208,979,333	17.88%
Yueda Capital Company Limited	The Company	Interest of a controlled corporation	600,000,000	51.34%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	808,979,333 <i>(Note 2)</i>	69.22%

Notes:

- All interests in the Shares are long positions.
- Jiangsu Yue Da Group Company Limited holds 100% interests in Yue Da Group (H.K.) Co., Limited and 98% interests in Yue Da Capital Company Limited which holds 100% interests in Yue Da Capital (H.K.) Limited and is accordingly deemed to be interested in the shares of the Company beneficially owned by Yue Da Group (H.K.) Co., Limited and Yue Da Capital (H.K.) Limited under the SFO.

Other Information

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution passed on 29 November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Such share option scheme was terminated on 9th June, 2011 and a new share option scheme was adopted by the Company on 9th June, 2011 for the same purpose. Details of movements during the Period in the options granted by the Company under the schemes are as follows:

Date of grant	Exercise price per share HK\$	Exercisable period	Outstanding at 1st January 2019	Lapsed during the Period	Outstanding at 30th June 2019
<i>Directors of the Company</i>					
27th May, 2009	0.854	28th May, 2009 – 26th May, 2019	434,393	(434,394)	-
<i>Other eligible persons</i>					
27th May, 2009	0.854	28th May, 2009 – 26th May, 2019	1,663,113	(1,663,113)	-
			1,663,113	(1,663,113)	-
Total			2,097,506	(2,097,506)	-
Exercisable at the end of the Period			2,097,506		-
Weighted average exercise price (HK\$)			0.85		N/A

Other Information

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

Executive Directors

Liu Debing
Hu Huaimin
Cai Baoxiang
Bai Zhaoxiang

Non-executive Directors

Tang Rujun
Li Biao

Independent non-executive Directors

Cui Shuming
Liu Yongping
Cheung Ting Kee

By order of the Board

Yue Da International Holdings Limited

Tang Rujun

Non-executive Director and Chairman of the Board

Hong Kong, 1st August, 2019