



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

Stock Code: 629



2014 *Interim Report*

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Continuing operation			
Revenue	3	67,169	133,840
Cost of sales		(66,363)	(93,247)
Gross profit		806	40,593
Other income		2,295	4,366
Other gains and losses	4	13,305	26,536
Impairment losses on assets	5	—	(135,983)
Administrative expenses		(28,994)	(38,066)
Finance costs	6	(7,261)	(6,228)
Loss before tax		(19,849)	(108,782)
Income tax credit	7	3,258	28,021
Loss for the period from continuing operation	8	(16,591)	(80,761)
Discontinued operation			
Profit (loss) for the period from discontinued operation	9	7,864	(5,514)
Loss and total comprehensive expense for the period		(8,727)	(86,275)
(Loss) profit and total comprehensive (expense) income for the period attributable to owners of the Company			
— from continuing operation		(14,380)	(87,149)
— from discontinued operation		9,247	(2,812)
		(5,133)	(89,961)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30th June, 2014

	NOTE	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
(Loss) profit and total comprehensive (expense) income for the period attributable to non-controlling interests			
– from continuing operation		(2,211)	6,388
– from discontinued operation		(1,383)	(2,702)
		(3,594)	3,686
Loss per share	11		
From continuing and discontinued operations			
– Basic		RMB(0.56) cents	RMB(9.83) cents
– Diluted		RMB(0.56) cents	RMB(9.83) cents
From continuing operation			
– Basic		RMB(1.57) cents	RMB(9.52) cents
– Diluted		RMB(1.57) cents	RMB(9.52) cents

Condensed Consolidated Statement of Financial Position

At 30th June, 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Non-current Assets			
Property, plant and equipment	12	146,717	138,048
Prepaid lease payments		9,604	9,789
Mining rights	13	798,321	802,903
Available-for-sale investments		15,964	15,964
Goodwill		2,119	2,119
Long term deposits		8,432	7,202
Deposits paid for acquisition of property, plant and equipment and a land use right		7,723	11,544
Deposits paid for investments	14	61,972	55,930
Other receivables	15	28,107	45,641
		1,078,959	1,089,140
Current Assets			
Prepaid lease payments		449	449
Inventories		37,981	55,378
Trade and other receivables	15	112,846	176,450
Amounts due from related companies	16	27,348	27,895
Taxation receivable		413	421
Pledged bank deposit		—	73,750
Bank balances and cash			
— Cash at bank and on hand		48,480	75,974
— Short term bank deposit with maturity over three months		10,000	10,000
		237,517	420,317

Condensed Consolidated Statement of Financial Position

At 30th June, 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Current Liabilities			
Trade and other payables	17	61,329	66,093
Amounts due to related companies	16	56,106	92,230
Amounts due to directors		299	120
Taxation payable		2,984	7,743
Bank borrowings - due within one year	18	137,628	207,286
		258,346	373,472
Net Current (Liabilities) Assets		(20,829)	46,845
Total Assets Less Current Liabilities		1,058,130	1,135,985

Condensed Consolidated Statement of Financial Position

At 30th June, 2014

	NOTE	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Capital and Reserves			
Share capital	19	83,474	83,474
Reserves		665,617	670,619
Equity attributable to owners of the Company		749,091	754,093
Non-controlling interests		97,641	165,347
Total Equity		846,732	919,440
Non-current Liabilities			
Provisions		2,232	2,219
Deferred tax liabilities		209,166	214,326
		211,398	216,545
		1,058,130	1,135,985

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2014

	Attributable to owners of the Company												
	Share capital	Share premium	Non-distributable reserves					Share options reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
			Special reserve	Capital contribution									
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000						
At 1st January, 2013 (audited)	83,474	903,463	38,574	157,178	21,717	19,408	(53,464)	(275,669)	894,681	168,931	1,063,612		
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(89,961)	(89,961)	3,686	(86,275)		
Forfeiture of share options	-	-	-	-	-	(278)	-	278	-	-	-		
Recognition of equity-settled share-based payments	-	-	-	-	-	503	-	-	503	-	503		
At 30th June, 2013 (unaudited)	83,474	903,463	38,574	157,178	21,717	19,633	(53,464)	(365,352)	805,223	172,617	977,840		
At 1st January, 2014 (audited)	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 expense for the period	-	-	-	-	-	-	-	(5,133)	(5,133)	(3,594)	(8,727)		
Disposal of a subsidiary (Note 20)	-	-	-	-	-	-	-	-	-	(50,436)	(50,436)		
Forfeiture of share options	-	-	-	-	-	(470)	-	470	-	-	-		
Recognition of equity-settled share-based payments	-	-	-	-	-	131	-	-	131	-	131		
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(13,676)	(13,676)		
At 30th June, 2014 (unaudited)	83,474	903,463	38,574	157,178	21,717	19,399	(53,464)	(421,250)	749,091	97,641	846,732		

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2014

	NOTES	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash used in (generated from) operating activities		(8,698)	38,312
Net cash from (used in) investing activities			
Purchase of property, plant and equipment		(11,148)	(14,824)
Loan advance		—	(50,250)
Deposit received for disposal of a subsidiary		—	34,000
Advance to a related company		—	(4,079)
Repayment of contingent consideration receivable	4	29,849	—
Repayment of deferred consideration receivable	15	10,000	—
Repayment of amount due from Disposal Group (as defined in Note 15)	15	23,012	—
Deposit paid for acquisition of property, plant and equipment and a land use right		(3,889)	(8,515)
Deposit paid for an investment		(6,042)	(18,846)
Disposal of a subsidiary (net of cash and cash equivalent disposed of)	20	(22,424)	—
Release of pledged bank deposit		73,750	—
Other investing cash flows		592	(5,290)
		93,700	(67,804)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30th June, 2014

	NOTE	Six months ended	
		30.6.2014 RMB'000 (unaudited)	30.6.2013 RMB'000 (unaudited)
Net cash (used in) from financing activities			
Bank borrowings raised	18	40,456	157,496
Repayment of bank borrowings		(110,114)	(80,000)
Repayment to related companies		(43,311)	(18,110)
Advance from related companies		4,886	68,680
Other financing cash flows		(4,413)	(6,981)
		(112,496)	121,085
Net (decrease) increase in cash and cash equivalents		(27,494)	91,593
Cash and cash equivalents at beginning of the period		75,974	191,527
Effect of foreign exchange rate changes		—	700
Cash and cash equivalents at end of the period, represented by bank balances and cash		48,480	283,820

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

1. BASIS OF PREPARATION

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

In the preparation of the condensed 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 RMB20,829,000 and it incurred loss of RMB8,727,000 for the six months ended 30th June, 2014. Subsequent to 30th June, 2014, the Company’s ultimate parent, Jiangsu Yue Da Group Company Limited (“Jiangsu Yue Da”) made a further advance of RMB50,000,000 (the “Further Advance”) to the Group and has undertaken not to demand repayment of the advance from Jiangsu Yue Da with carrying amount of RMB45,606,000 as at 30th June, 2014 and the Further Advance until such time as the Group has sufficient funds to repay the amount due by the Group. Furthermore, 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. 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 condensed consolidated financial statements have been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2013.

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

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

3. SEGMENT INFORMATION

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

The Toll Road Operations was discontinued in the six months ended 30th June, 2013. Details are set out in note 9.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

3. SEGMENT INFORMATION (CONTINUED)

The operating segment revenue from Mining Operations contributes the entire revenue of the continuing operation of the Group. Reconciliation of the operating segment loss from continuing operation to loss before tax is as follows:

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Continuing operation		
Mining Operations revenue	67,169	133,840
Segment loss	(16,636)	(116,835)
Other income	2,295	4,366
Other gains and losses		
— Fair value gain on contingent consideration	—	24,394
— Adjustment on other receivables upon repayment	3,906	—
— Net foreign exchange gain	851	2,184
— Gain on disposal of a subsidiary	8,532	—
Central administration costs	(11,536)	(16,663)
Finance costs	(7,261)	(6,228)
Loss before tax (continuing operation)	(19,849)	(108,782)

Segment loss represents the loss from the segment without allocation of other income, other gains and losses as described above, central administration costs and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Continuing operation		
Fair value gain on contingent consideration (<i>Note</i>)	—	24,394
Adjustment on other receivables upon repayment (<i>Note 15 (iii)</i>)	3,906	—
Net foreign exchange gains	851	2,184
Gain (loss) on disposal of property, plant and equipment	16	(42)
Gain on disposal of a subsidiary (<i>Note 20</i>)	8,532	—
	13,305	26,536

Note: During the year ended 31st December, 2010, the Group completed the acquisition of the entire equity interest in Absolute Apex Limited, an investment holding company, from Bright Harvest Holdings Limited ("Bright Harvest"), an independent third party (the "Acquisition"). Absolute Apex Limited owned the entire equity interest in Ample Source Investment Limited, which owned 70% equity interest in Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua"), which are engaged in investment holding, and mining and processing of gold, respectively. Bright Harvest and the remaining non-controlling interests 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 six months ended 30th June, 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 for the six months ended 30th June, 2013 was mainly due to the deferral of the production plan and the decline in market price of gold during the six months ended 30th June, 2013.

As a result, a fair value gain on contingent consideration of RMB24,394,000 was recognised in profit or loss for the six months ended 30th June, 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 on Note 15. During the six months ended 30th June, 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 Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

5. IMPAIRMENT LOSSES ON ASSETS

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Continuing operation		
Impairment losses on:		
– property, plant and equipment (Note 12)	–	19,215
– mining rights (Note 13)	–	116,768
	–	135,983

6. FINANCE COSTS

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Continuing operation		
Interest on bank borrowings		
wholly repayable within five years	4,413	5,630
Effective interest on finance leases	–	17
Interest on loan from a related party	2,848	–
Bank loan arrangement fees	–	581
	7,261	6,228

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

7. INCOME TAX CREDIT

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Continuing operation		
People's Republic of China ("PRC")		
Enterprise Income Tax		
– current period	799	10,669
– withholding tax paid in respect of distribution of earnings of PRC subsidiaries	4,200	—
Underprovisions in prior years	465	560
Deferred tax		
– current period (<i>Note</i>)	(8,722)	(39,250)
	(3,258)	(28,021)

Note: During the six months ended 30th June, 2013, an amount of approximately RMB29,192,000 was credited to profit or loss from continuing operation for the release of deferred tax liability in respect of temporary difference associated with the fair value adjustment on mining rights to the extent of the impairment loss recognised for mining rights.

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. The applicable tax rates of those PRC mining subsidiaries ranged from 15% to 25% for the six months ended 30th June, 2014 (for the six months ended 30th June, 2013: 15% to 25%).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

8. LOSS FOR THE PERIOD FROM CONTINUING OPERATION

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Loss for the period from continuing operation has been arrived at after charging (crediting) the following items:		
Amortisation of mining rights (included in cost of sales)	4,582	24,915
Depreciation of property, plant and equipment	9,352	12,387
Release of prepaid lease payments	185	185
Total depreciation and amortisation	14,119	37,487
Cost of inventories sold	61,781	68,332
Share-based payments expense	131	503
Interest income from bank deposits	(558)	(1,654)
Imputed interest income on amount due from Disposal Group (as defined in Note 15)	(1,572)	(2,184)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

9. PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUED OPERATION

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

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Revenue	—	8,042
Direct operating costs	—	(4,918)
Gross profit	—	3,124
Government compensation (Note)	14,248	—
Other income	4	28
Administrative expenses	(2,826)	(2,666)
Provision for severance payments to employees	—	(6,000)
Profit (loss) before tax	11,426	(5,514)
Income tax expense	(3,562)	—
Profit (loss) for the period	7,864	(5,514)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

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

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Profit (loss) for the period from discontinued operation has been arrived at after charging (crediting) the following:		
Amortisation of other intangible assets (included in direct operating costs)	—	344
Depreciation of property, plant and equipment	118	282
Interest income from bank deposits	(4)	(28)

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 RMB14.25 million.

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

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

10. DIVIDEND

No dividend was paid, declared or proposed during six months ended 30th June, 2014. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30th June, 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

11. 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	
	Six months ended		Six months ended	
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Loss				
Loss for the period attributable to owners of the Company and loss for the purposes of basic and diluted loss per share	(5,133)	(89,961)	(14,380)	(87,149)
Number of shares	Number	Number	Number	Number
Weighted average number of ordinary shares for the purpose 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 RMB1.01 cents (for the six months ended 30th June, 2013: basic loss per share of RMB0.31 cents), based on the earnings for the period attributable to owners of the Company from the discontinued operation of RMB9,247,000 (for the six months ended 30th June, 2013: loss of RMB2,812,000) and the denominators detailed above for basic loss per share.

The computation of the diluted loss per share for both periods do not assume the exercise of the share options because they would result in reduction in loss per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June, 2014, the Group incurred RMB18,858,000 (for the six months ended 30th June, 2013: RMB23,428,000) on the purchase of property, plant and equipment and no impairment loss recognised during the period (for the six months ended 30th June, 2013: RMB19,215,000). Impairment assessment is set out in Note 13.

13. MINING RIGHTS

	<i>RMB'000</i>
COST	
At 1st January, 2014 and 30th June, 2014	1,513,607
AMORTISATION AND IMPAIRMENT	
At 1st January, 2014	710,704
Charge for the period	4,582
At 30th June, 2014	715,286
CARRYING VALUE	
At 30th June, 2014	798,321
At 31st December, 2013	802,903

The mining rights represent the rights to conduct mining activities for zinc, lead, iron and gold in various locations in the PRC, and have legal lives of one to eight years. The Group's mining rights are expiring in the period from December 2014 to August 2016. In the opinion of the directors, the Group will be able to renew the mining rights with the relevant government authorities continuously without significant costs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

13. MINING RIGHTS (CONTINUED)

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.

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

For the purpose of the impairment testing, the management compared the value in use of the CGUs with the fair value less cost to sell of the CGUs and concluded that the value in use is higher than the fair value less costs to sell.

Value in use calculations were based on estimated cash flow projections prepared from financial forecasts approved by the directors of the Company that reflect the net cash flows to be generated from the CGUs which represented the cash flows from the sales of the mineral concentrates from the production of the estimated minerals as extracted from the mines of each CGU less the estimated cost of the production of the mineral concentrates, at discount rates with a range of 18.73% to 22.73%. Other key assumptions for the value in use calculation relate production rate.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

14. 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 30th June, 2014, pursuant to the Subscription Agreement, a deposit of US\$3 million (approximately RMB18,846,000) (31st December, 2013: US\$3 million (approximately RMB18,846,000)) has been paid to Everwise and the transaction has not completed. A wholly owned subsidiary of Everwise is in the progress to incorporate a new subsidiary which will be principally engaged in the processing and exporting titanium slags in Vietnam.

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. On 30th June, 2014, YDM, New Aims and Everwise have further agreed in writing to extend the long stop date to 31st December, 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

14. 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). Up to 30th June, 2014, pursuant to the Acquisition Agreement, a deposit of US\$7 million (approximately RMB43,126,000) (31st December, 2013: US\$6 million (approximately RMB37,084,000)) has been paid to the Vendor and the transaction has not completed. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

15. TRADE AND OTHER RECEIVABLES

	30.6.2014	31.12.2013
	RMB'000	RMB'000
Current		
Trade receivables	718	9,539
Advance payments to suppliers	2,925	4,439
Contingent consideration receivable (Note 4)	—	43,525
Loan receivable (Note i)	49,218	48,775
Deferred consideration receivable (Note ii)	31,395	41,395
Other receivables and prepayments	28,590	28,777
	112,846	176,450
Non-current		
Amount due from Disposal Group (Note iii)	28,107	45,641

Notes:

- (i) During the year ended 31st December, 2013, YDM entered into a loan agreement (with supplemental agreement) ("Loan Agreement") with Mineral Land Holdings Limited ("Mineral Land"), an independent third party which has the same ultimate shareholder of New Aims and Everwise. The term loan facility is up to US\$16 million (approximately RMB100,500,000) for a term of one year, which carries a fixed-sum of US\$1 million interest payable on the maturity date of the loan. The facility is secured by (1) a pledge of 60% equity interest in a company incorporated in Vietnam and (2) a charge of the entire issued share capital of Everwise as held by New Aims. The facility is also guaranteed by a personal guarantee executed by an independent third party. 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 30th June, 2014, the loan amount due from Mineral Land is US\$8 million (approximately RMB49,218,000) (31st December, 2013: US\$8 million (approximately RMB48,778,000)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(i) (continued)

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 due 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 the Mineral Land Option Deed to extend the expiry date of the exercise period of the Mineral Land Option from 20th January, 2014 to 20th January, 2015.

(ii) At 30th June, 2014, the amount was receivable from Feng Hua for the remaining balance of the deferred consideration for the disposal of 41.1% of the issued capital of certain subsidiaries which held the entire equity interest in certain subsidiaries incorporated in the PRC (collectively refer to as the "Disposal Group"). Under the original sales and purchase agreement, the amount was unsecured, interest-free and repayable on or before 30th June, 2012.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(ii) (continued)

During the six months ended 30th June, 2014, Feng Hua repaid RMB10,000,000 and the remaining receivable due from Feng Hua of RMB31,395,000 (31st December, 2013: RMB41,395,000) as at 30th June, 2014 is classified as a current asset.

Subsequent to 30th June, 2014, Feng Hua further repaid RMB5,000,000. 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).

(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. 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 of RMB27,128,000 and RMB28,107,000 as at 31st December, 2013 and 30th June, 2014 respectively.

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 six months ended 30th June, 2014, the amount was fully repaid.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (continued)

(iii) (continued)

As the amounts due from the Disposal Group are carried at amortised cost, an imputed interest of RMB1,572,000 (for the six months ended 30th June, 2013: RMB2,184,000) is recognised as other income in profit or loss during the six months ended 30th June, 2014.

With the repayment of RMB23,012,000 from the Disposal Group during the six months ended 30th June, 2014, an adjustment of RMB3,906,000 is made to its carrying amount and recognised as other gains and loss in profit or loss.

Subsequent to 30th June, 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 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:

	30.6.2014 RMB'000	31.12.2013 RMB'000
0 - 60 days	718	6,955
121 - 180 days	—	2,584
	718	9,539

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

16. AMOUNTS DUE FROM/TO RELATED COMPANIES

	Due from	
	30.6.2014 RMB'000	31.12.2013 RMB'000
Current		
Langfang Municipal Communications Bureau ("Langfang Bureau") and entities under its control (Note i)	26,766	26,766
Anhui Guan Hua Group Limited (Note ii)	582	1,129
	27,348	27,895

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

The amounts due to related companies are non-trade nature, unsecured and repayable on demand. At 30th June, 2014, amounts of RMB45,606,000 (31st December, 2013: RMB83,259,000) and RMB9,846,000 (31st December, 2013: RMB7,285,000) are due to Jiangsu Yue Da, ultimate parent, and Yue Da Enterprise (Group) HK Ltd. ("Yue Da Enterprise"), a fellow subsidiary of the Company, respectively. The amount due to Jiangsu Yue Da is interest-bearing at 7.08% per annum. The remaining balance of amounts due to related companies are interest-free.

Notes:

- (i) Langfang Bureau is a non-controlling interest of the Company's toll highway and bridge subsidiary, Langfang Tongda Highway Co., Ltd.
- (ii) Anhui Guan Hua Group Limited is a non-controlling interest of the Company's subsidiary, Tong Ling Guan Hua.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

17. TRADE AND OTHER PAYABLES

	30.6.2014 <i>RMB'000</i>	31.12.2013 <i>RMB'000</i>
Trade payables	8,010	7,845
Other payables	53,319	58,248
	61,329	66,093

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.

	30.6.2014 <i>RMB'000</i>	31.12.2013 <i>RMB'000</i>
0 - 60 days	4,506	5,348
61 - 120 days	1,043	1,153
121 - 180 days	464	1,344
Over 180 days	1,997	—
	8,010	7,845

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

18. BANK BORROWINGS

	30.6.2014 RMB'000	31.12.2013 RMB'000
Bank loans, repayable within one year* and shown under current liabilities		
Secured	—	70,114
Unsecured	137,628	137,172
	137,628	207,286

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

During the current interim period, the Group obtained new bank loans amounting to RMB40,456,000 (for the six months ended 30th June, 2013: RMB157,496,000).

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings is 4.41% to 7.20% (31st December, 2013: 1.56% to 7.08%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

19. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>	Shown in the condensed consolidated financial statements <i>RMB'000</i>
Ordinary shares of HK\$0.10 each:			
Issued and fully paid			
At 1st January, 2013,			
30th June, 2013,			
1st January, 2014 and			
30th June, 2014	915,691,876	91,569	83,474

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

20. DISPOSAL OF A SUBSIDIARY

On 27th May, 2013, Yue Da Pingchuan Limited, 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 six months ended 30th June, 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

20. DISPOSAL OF A SUBSIDIARY (CONTINUED)

	<i>RMB'000</i>
Satisfied by:	
Assignment of amount 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)

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.

21. RELATED PARTY DISCLOSURES

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

21. 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:

Name of related parties	Nature of transactions	Six months ended	
		30.6.2014 RMB'000	30.6.2013 RMB'000
<i>Ultimate holding company</i>			
Jiangsu Yue Da	Interest expense on loan	2,848	—
<i>Immediate holding company</i>			
Yue Da HK	Rentals paid for office premises and staff quarters by the Group (Note)	1,302	1,306
<i>Fellow subsidiary</i>			
Yue Da Enterprise	Rentals paid for staff quarter by the Group (Note)	95	121

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

21. 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)*

As at 30th June, 2014, Jiangsu Yue Da had given corporate guarantees to banks in the PRC to secure the loan facility granted to the Group to the extent of RMB90,000,000 (31st December, 2013: RMB90,000,000). The facilities are general working capital facilities and will expire in May 2015. As at 30th June, 2014, a total amount of RMB90,000,000 (31st December, 2013: RMB90,000,000) was utilised by the Group.

Details of the outstanding balance with Jiangsu Yue Da and Yue Da Enterprise are set out in Note 16.

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

Name of related parties	Nature of transactions	Six months ended	
		30.6.2014 RMB'000	30.6.2013 RMB'000
Langfang Bureau and entities under its control	Repairs and maintenance charges paid by the Group <i>(Note)</i>	–	1,448

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

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

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

In addition, pursuant to the agreements between the Group, the non-controlling shareholder of the Group's toll highway and bridge subsidiary and the relevant government bureaus, the parties had agreed and confirmed that the Group had the right to use the land on which the toll highway and bridge was situated at no cost for the duration of the relevant joint venture term. Such agreement was ended up on the expiry of the operating rights of toll highway and bridge during the six months ended 30th June, 2013.

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

21. RELATED PARTY DISCLOSURES (CONTINUED)

- (ii) Compensation of key management personnel:

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

	Six months ended	
	30.6.2014 RMB'000	30.6.2013 RMB'000
Short-term benefits	1,759	1,737
Post-employment benefits	205	323
	1,964	2,060

22. CAPITAL COMMITMENTS

	30.6.2014 RMB'000	31.12.2013 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	6,865	9,576

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

23. 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30th June, 2014

23. CONTINGENT LIABILITIES (CONTINUED)

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.

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 condensed 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 condensed consolidated financial statements.

Management Discussion and Analysis

FINANCIAL PERFORMANCE

Turnover and gross operating profit of Yue Da Mining Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2014 (the “Period”) amounted to RMB67,169,000 and RMB806,000, representing a decrease of approximately 49.81% and 98.01% respectively, over the same period in 2013. The nonferrous metal market was challenging during the Period due to the uncertainties of the global economy. The Group faced a general decline in the price of gold and iron during the first half of 2014. The loss and total comprehensive expense attributable to the owners of the Company for the Period was RMB5,133,000 (corresponding period of last year: RMB89,961,000) and basic loss per share was RMB0.56 cents (corresponding period of last year: RMB9.83 cents).

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”).

Management Discussion and Analysis

MINING OPERATIONS

During the Period, the Mining Operations realized an operating revenue of RMB67,169,000 (corresponding period of last year: RMB133,840,000) with a segment loss of RMB16,636,000 (corresponding period of last year: RMB116,835,000). The Mining Operations recorded a gross profit of RMB806,000 (corresponding period of last year: RMB40,593,000) and gross profit margin of approximately 1.2% (corresponding period of last year: 30.33%). The ores extracted during the Period amounted to 366,780 tons, representing an decrease of 61.24% over 946,272 tons in the corresponding period of last year, with a unit mining cost (excluding gold ores) of approximately RMB134 per ton (corresponding period of last year: RMB113 per ton) and a unit processing cost (excluding gold ores) of approximately RMB97 per ton (corresponding period of last year: RMB82 per ton). The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 1,351 metal tons (corresponding period of last year: 2,636 metal tons), lead ore concentrates of 272 metal tons (corresponding period of last year: 672 metal tons), silver of 0 kilogram (corresponding period of last year: 230 kilograms), iron ore concentrates of 42,037 tons (corresponding period of last year: 70,598 tons) and gold of 18.56 kilograms (corresponding period of last year: 205.69 kilograms). During the Period, the metal ore concentrates were sold at an average price of RMB6,764 per metal ton for zinc ore concentrates (corresponding period of last year: RMB7,509 per metal ton), RMB11,509 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB11,182 per metal ton), RMB625 per ton for iron ore concentrates (corresponding period of last year: RMB653 per ton) and RMB247 per gram of gold (corresponding period of last year: RMB270 per gram).

During the Period, production of Tengchong Ruitu Mining and Technology Company Limited (“Tengchong Ruitu”), a subsidiary of the Company, was affected by temporary and short suspension due to rainy season and reconstruction of electricity network nearby.

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 30 June 2014.

Management Discussion and Analysis

Yaoan Feilong Mining Co., Ltd. (“Yaoan Feilong”) and Zhen’an County Daqian Mining Development Co., Ltd. (“Daqian Mining”), subsidiaries of the Company, have been suspended due to the weak metal market.

During the Period, 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. The production of Tong Ling Guan Hua have been back to normal before 30 June 2014.

The following table summaries the operating performance of each mining company of our Group during the Period:

Name of subsidiary	Products	Production figures	Proportion of	Gross Profit/	Proportion of	
			Turnover	(Loss)	the Group	
			RMB'000	RMB'000	(%)	
Baoshan Feilong	Lead ore concentrates	272 metric tons	15,083	454	22.46	56.33
	Zinc ore concentrates	1,351 metric tons				
	Copper ore concentrates	32 metric tons				
Tengchong Ruitu	Metal ore concentrates	42,037 tons	27,220	3,805	40.52	472.08
Tong Ling Guan Hua	Gold	18.56 kilograms	24,866	(3,453)	37.02	(428.41)
Daqian Mining	<i>Production has been suspended</i>					
Yaoan Feilong	<i>Production has been suspended</i>					
Total			67,169	806	100	100

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

Management Discussion and Analysis

PROSPECTS

The Group has from time to time sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improving and enhancing explosive and blasting technology by setting up appropriate explosive and blasting method in order to maximize explosive effects. Such measures aim at raising production capacity of the Group's existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group will further focus on technology improvements, optimize production processes of processing plant and maximize grade and recovery of ore concentrates. Through 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 into 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 the second half of 2014, the environment for the mining business is expected to be as difficult as in the first half of 2014. On one hand, the Group's strategy is to realize its potential processing capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. On the other hand, the Group targets to capture opportunities for acquisition of projects with rich reserves, high quality, immense value-added potentials and quick cashflow returns, in order to allow the Group to further expand its scale of production, diversify into new profit streams and deliver higher returns to our shareholders.

Management Discussion and Analysis

IMPORTANT EVENTS DURING THE PERIOD

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 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 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).

Upon completion of the Subscription Agreement, the Company will indirectly held a majority interest in a slag factory in Vietnam (through Everwise).

To enjoy the benefit from possible recovery of slags price at a minimal cost, on 17th October, 2013, YDM entered into a call option agreement (“Call Option Agreement”) with New Aims. Under the Call Option Agreement, New Aims has granted an option to YDM to acquire 35% of the issued share capital of Everwise during the period from the completion of the Subscription Agreement to 20th January, 2015 at a consideration of US\$4 million at an option premium of HK\$100.

Management Discussion and Analysis

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 and 30th June, 2014 for details of the above transactions. As at the date of this announcement, the completion of the Subscription Agreement has not taken place.

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 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.

Please refer to the announcements of the Company dated 5th September, 2013 and 30th June, 2014 for details of the above transaction. As at the date of this announcement, the completion of the Acquisition Agreement has not taken place.

Strategy on investments in Vietnam

As announced by the Company on 30th June, 2014, in light of the recent instable relationship between the PRC and Vietnam, the Company is now re-assessing its strategy in investments in Vietnam. We are now under negotiation with the counterparties of our Vietnam investments for the possibility of termination ("Termination") of certain of our investments in Vietnam and will make further announcement when necessary.

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

Management Discussion and Analysis

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 each of the holding companies of the mining project located in Wengniute Banner at a total consideration of RMB91,000,000. The disposal was completed on 30th December 2011. The remaining 49% interests of the Disposal Group (as defined in the financial section) is currently record by the Group as available-for-sale investments. We are now under negotiation with third party for the possibility of disposal of the available-for-sale investments (the "Disposal") and will make further announcement when necessary.

As at the date of this announcement, 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 Period.

Compensation from Langfang local government regarding previous road operations

Following the expiry of the operation rights of Wen An Section of the National Highway 106 ("Toll Road") in May 2013, the Group ceased the operation of the Toll Road.

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 about RMB14.25 million. As at the date of this announcement, the Group has received approximately RMB6,831,000 and the balance is expected to be received by the Group before the end of 2014.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2014, the Group's current assets were RMB237,517,000 (31st December, 2013: RMB420,317,000), of which RMB58,480,000 (31st December, 2013: RMB85,974,000) were bank balances and cash on hand. As at 30th June, 2014, the net asset value of the Group amounted to RMB846,732,000, representing a decrease of approximately 7.91% as compared to RMB919,440,000 at 31st December, 2013. The gearing ratio (total liabilities/total assets) of the Group was approximately 35.68% (31st December, 2013: 39.09%).

As at 30th June, 2014, the share capital of the Company was RMB83,474,000 (31st December, 2013: RMB83,474,000). The Company's reserve and minority interests were RMB665,617,000 (31st December, 2013: RMB670,619,000) and RMB97,641,000 (31st December, 2013: RMB165,347,000) respectively. As at 30th June, 2014, the Group had total current liabilities of RMB258,346,000 (31st December, 2013: RMB373,472,000), mainly comprising bank borrowing, trade and other payables and amount due to related companies. The total non-current liabilities of the Group amounted to RMB211,398,000 (31st December, 2013: RMB216,545,000), which were mainly provisions and deferred tax liabilities.

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

CAPITAL STRUCTURE OF THE GROUP

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

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

Management Discussion and Analysis

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

The Group recorded a net exchange gain amounting to RMB851,000 during the Period. The Group was not engaged in any hedging by financial instruments in relation to the exchange rate risk.

CONTINGENT LIABILITIES AND CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2014, save as disclosed in Note 23 to the condensed consolidated financial statement, the Group did not have any guarantees and charges nor any other material contingent liabilities (corresponding period of last year: charges on deposits of RMB68,348,000).

EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2014, the Group had a total of approximately 1,030 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) 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 and Mr. Liu Yong Ping being an independent non-executive Director 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 the Directors, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi 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 29th August, 2014, the audit committee reviewed the accounting principles and practices adopted by the Group, the unaudited interim results of the Group for the Period and discussed matters relating to audit, internal control and financial reporting with the management.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

Other Information

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

As at 30th June, 2014, the interests of each Director and their associates in the shares or underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

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

Other Information

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

Other Information

Notes:

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

Save as disclosed above and in this interim report, as at 30th June, 2014, 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, 2014, 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 Group (H.K.) Co., Limited	The Company	Beneficial owner	389,241,333	42.51%
Jiangsu Yue Da Group Company Limited	The Company	Interest of a controlled corporation	389,241,333 <i>(Note 2)</i>	42.51%

Notes:

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

Other Information

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to a resolution passed on 12th November, 2001 for the primary purpose of providing incentives or rewards to selected participants for their contribution to the Group. Such share option scheme was terminated on 9th June, 2011 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	Exerciseable period	Outstanding at 1st January, 2014	Granted during the Period	Lapsed during the Period	Outstanding at 30th June, 2014
		<i>HK\$</i>					
Directors of	27th May, 2009	0.854	28th May, 2009 - 26th May, 2019	1,179,069	–	–	1,179,069
the Company	9th July, 2009	0.854	9th July, 2009 - 24th May, 2018	2,978,705	–	–	2,978,705
	19th April, 2010	1.617	20th April, 2010 - 19th April, 2020	1,591,800	–	–	1,591,800
	30th January, 2012	0.5503	1st April, 2012 - 29th January, 2017	4,584,384	–	–	4,584,384
	30th January, 2012	0.5503	1st April, 2013 - 29th January, 2017	3,438,288	–	–	3,438,288
	30th January, 2012	0.5503	1st April, 2014 - 29th January, 2017	3,438,288	–	–	3,438,288
				17,210,534	–	–	17,210,534

Other Information

	Exercise price	Outstanding	Granted	Lapsed	Outstanding		
Date of grant	per share	at 1st January,	during	during	at 30th June,		
	Exercisable period	2014	the Period	the Period	2014		
	HK\$						
Employees/	27th May, 2009	0.854	28th May, 2009 - 26th May, 2019	2,592,706	–	(24,822)	2,567,884
consultant	9th July, 2009	0.854	9th July, 2009 - 24th May, 2018	4,542,521	–	(74,467)	4,468,054
	19th April, 2010	1.617	20th April, 2010 - 19th April, 2020	742,840	–	–	742,840
	19th April, 2010	1.617	20th April, 2011 - 19th April, 2020	159,180	–	–	159,180
	19th April, 2010	1.617	20th April, 2012 - 19th April, 2020	159,180	–	–	159,180
	16th December, 2010	1.2721	17th December, 2010 - 16th December, 2020	152,812	–	(152,812)	–
	16th December, 2010	1.2721	17th December, 2011 - 16th December, 2020	114,609	–	(114,609)	–
	16th December, 2010	1.2721	17th December, 2012 - 16th December, 2020	114,609	–	(114,609)	–
	30th January, 2012	0.5503	1st April, 2012 - 29th January, 2017	5,815,377	–	(254,688)	5,560,689
	30th January, 2012	0.5503	1st April, 2013 - 29th January, 2017	4,361,532	–	(191,016)	4,170,516
	30th January, 2012	0.5503	1st April, 2014 - 29th January, 2017	4,361,532	–	(191,016)	4,170,516
	23rd January, 2014	0.445	upon fulfilment of certain conditions – 22nd January, 2017	–	9,000,000	–	9,000,000
				23,116,898	9,000,000	(1,118,039)	30,998,859
Total				40,327,432	9,000,000	(1,118,039)	48,209,393
Exercisable at the end of the Period				32,527,612			39,209,393
Weighted average exercise price (HK\$)				0.71			0.71

Other Information

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

Executive Directors

Dong Li Yong
Liu Xiao Guang
Hu Huaimin

Non-executive Directors

Chen Yunhua
Qi Guang Ya

*Independent
non-executive Directors*

Leung Mei Han
Cui Shu Ming
Liu Yongping

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

Hong Kong, 29th August, 2014