# YUE DA MINING HOLDINGS LIMITED
# 悅達礦業控股有限公司

*(incorporated in the Cayman Islands with limited liability)*

**(Stock code: 629)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

## INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yue Da Mining Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June, 2009 (the "Period") as follows:

**Condensed Consolidated Statement of Comprehensive Income**
*For the six months ended 30th June, 2009*

| | *NOTES* | **Six months ended** **30.6.2009** ***RMB'000*** **(unaudited)** | 30.6.2008 *RMB'000* (unaudited) |
|---|---|---|---|
| Revenue | 3 | **86,140** | 140,766 |
| Cost of sales | | **(59,625)** | (53,039) |
| Direct operating costs | | **(18,172)** | (16,760) |
| Gross profit | | **8,343** | 70,967 |
| Other income, gains and losses | | **3,739** | 28,725 |
| Administrative expenses | | **(25,089)** | (38,984) |
| Interest expense | 4 | **(14,177)** | (14,055) |
| (Loss) profit before tax | | **(27,184)** | 46,653 |
| Income tax expense | 5 | **(2,619)** | (8,565) |
| (Loss) profit and total comprehensive (expense) income for the period | 6 | **(29,803)** | 38,088 |
| (Loss) profit and total comprehensive (expense) income for the period attributable to: | | | |
| — Owners of the Company | | **(32,010)** | 32,494 |
| — Minority interests | | **2,207** | 5,594 |
| | | **(29,803)** | 38,088 |
| (Loss) earnings per share | | | |
| — Basic | 8 | **(9.8) RMB cents** | 10.3 RMB cents |
| — Diluted | | **N/A** | 10.3 RMB cents |

**Condensed Consolidated Statement of Financial Position**
*At 30th June, 2009*

| | *NOTES* | **30.6.2009** *RMB'000* **(unaudited)** | 31.12.2008 *RMB'000* (audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | **182,668** | 179,880 |
| Prepaid lease payments | | **2,659** | 2,884 |
| Mining rights | | **1,153,635** | 1,158,096 |
| Goodwill | | **482** | 482 |
| Other intangible assets | | **90,178** | 100,824 |
| Long term deposits | | **4,689** | 3,525 |
| Other financial asset | | **27,375** | 26,921 |
| | | **1,461,686** | 1,472,612 |
| CURRENT ASSETS | | | |
| Prepaid lease payments | | **208** | 232 |
| Inventories | | **20,341** | 20,720 |
| Trade and other receivables | 9 | **21,350** | 18,196 |
| Amounts due from related companies | | **37,896** | 17,053 |
| Bank balances and cash | | **97,397** | 128,856 |
| | | **177,192** | 185,057 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | **37,525** | 42,101 |
| Amounts due to related companies | | **5,623** | 5,168 |
| Amounts due to directors | | **352** | 352 |
| Taxation payable | | **2,732** | 1,539 |
| Promissory notes — due within one year | | **8,695** | 8,320 |
| Bank borrowings — due within one year | | **40,000** | 53,465 |
| Consideration payable for acquisition of subsidiaries | | **76,854** | 73,774 |
| | | **171,781** | 184,719 |
| NET CURRENT ASSETS | | **5,411** | 338 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **1,467,097** | 1,472,950 |
| CAPITAL AND RESERVES | | | |
| Share capital | | **33,122** | 33,122 |
| Share premium and reserves | | **518,329** | 530,928 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | **551,451** | 564,050 |
| MINORITY INTERESTS | | **122,690** | 127,005 |
| TOTAL EQUITY | | **674,141** | 691,055 |
| NON-CURRENT LIABILITIES | | | |
| Other payables | | **21,647** | 21,266 |
| Amounts due to related companies | | **102,751** | 62,961 |
| Promissory notes — due after one year | | **77,800** | 74,554 |
| Bank borrowings — due after one year | | **287,325** | 319,924 |
| Provisions | | **1,884** | 1,862 |
| Deferred tax liabilities | | **266,923** | 265,946 |
| Deferred income | | **34,626** | 35,382 |
| | | **792,956** | 781,895 |
| | | **1,467,097** | 1,472,950 |

## Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30th June, 2009*

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting.

In preparing the condensed consolidated financial statements, the directors of the Company (the "Directors") have given consideration to the future liquidity of the Group in light of its loss of approximately RMB30 million reported for the current period and accumulated losses of approximately RMB142 million as at 30th June, 2009. The Directors are satisfied that with its existing resources and future operating cash flows, the Group will have sufficient working capital to meet in full its finance obligations as they fall due for the foreseeable future and be able to continue to operate with no significant financial difficulties. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

### 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning on 1st January, 2009.

| | |
|---|---|
| HKAS 1 (Revised 2007) | Presentation of Financial Statements |
| HKAS 23 (Revised 2007) | Borrowing Costs |
| HKAS 32 & 1 (Amendments) | Puttable Financial Instruments and Obligations Arising on Liquidation |
| HKFRS 1 & HKAS 27 (Amendments) | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate |
| HKFRS 2 (Amendment) | Vesting Conditions and Cancellations |
| HKFRS 7 (Amendment) | Improving Disclosures about Financial Instruments |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) — Int 9 & HKAS 39 (Amendments) | Embedded Derivatives |
| HK(IFRIC) — Int 13 | Customer Loyalty Programmes |
| HK(IFRIC) — Int 15 | Agreements for the Construction of Real Estate |
| HK(IFRIC) — Int 16 | Hedges of a Net Investment in a Foreign Operation |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009 |
| HKFRSs (Amendments) | Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39 |

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment Reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see Note 3). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied new or revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (Revised 2008) may affect the Group’s accounting for business combinations for which the acquisition dates are on or after 1st January, 2010. HKAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group’s ownership interest in a subsidiary. The Directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

## 3. SEGMENT INFORMATION

**Business segments**

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (“CODM”) in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity’s “system of internal financial reporting to key management personnel” serving only as the starting point for the identification of such segments. The Executive Directors of the Company are identified as the CODM as they regular reviewed the internal report to assess performance and allocate resources of the Group.

In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. The adoption of HKFRS 8 changed the basis of measurement of segment profit or loss. The Group’s reportable segments under HKFRS 8 are therefore identical to the business segments under HKAS 14, namely:

— management and operation of toll highway and bridge (“Toll Road Operations”); and

— exploration, mining and processing of zinc, lead and iron (“Mining Operations”).

An analysis of the Group's reportable segment revenue and results by operating segment is as below. Amounts reported for prior year have been restated to conform to the requirement of HKFRS 8.

*Six months ended 30th June, 2009*

| | **Toll Road Operations** *RMB'000* | **Mining Operations** *RMB'000* | **Consolidated** *RMB'000* |
|---|---|---|---|
| REVENUE | | | |
| External sales | **27,845** | **58,295** | **86,140** |
| RESULTS | | | |
| Segment profit (loss) | **7,033** | **(14,519)** | **(7,486)** |
| Other income | | | |
| — Net foreign exchange gain | | | **1,222** |
| — Gain on disposal of subsidiaries | | | **1,358** |
| — Interest income | | | **71** |
| Central administration costs | | | **(8,172)** |
| Interest expense | | | **(14,177)** |
| Loss before tax | | | **(27,184)** |
| Income tax credit | | | **(2,619)** |
| Loss for the period | | | **(29,803)** |

*Six months ended 30th June, 2008*

| | Toll Road Operations *RMB'000* | Mining Operations *RMB'000* | Consolidated *RMB'000* |
|---|---|---|---|
| REVENUE | | | |
| External sales | 31,483 | 109,283 | 140,766 |
| RESULTS | | | |
| Segment profit | 11,541 | 43,074 | 54,615 |
| Other income | | | |
| — Net foreign exchange gain | | | 25,757 |
| — Interest income | | | 285 |
| Central administration costs | | | (19,949) |
| Interest expense | | | (14,055) |
| Profit before tax | | | 46,653 |
| Income tax expense | | | (8,565) |
| Profit for the period | | | 38,088 |

Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of central administration costs, net foreign exchange gain, gain on disposal of subsidiaries, interest income and interest expense. This is the measure reporting to the Executive Directors of the Company for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

| | **30.6.2009** | 31.12.2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Toll Road Operations | **106,684** | 112,205 |
| Mining Operations | **1,403,184** | 1,384,774 |
| Total segment assets | **1,509,868** | 1,496,979 |

## 4. INTEREST EXPENSE

| | **Six months ended** | |
|---|---|---|
| | **30.6.2009** | 30.6.2008 |
| | ***RMB'000*** | *RMB'000* |
| Interest on bank borrowing wholly repayable within five years | **4,604** | 5,116 |
| Effective interest on promissory notes | **3,657** | 5,212 |
| Imputed interest on: | | |
| — non-current loan from a shareholder | **—** | 2,229 |
| — non-current loan from a fellow subsidiary | **2,781** | — |
| — consideration payable for acquisition of subsidiaries | **3,113** | 1,498 |
| — provisions | **22** | — |
| | **14,177** | 14,055 |

## 5. INCOME TAX EXPENSE

| | **Six months ended** | |
|---|---|---|
| | **30.6.2009** | 30.6.2008 |
| | ***RMB'000*** | *RMB'000* |
| People's Republic of China ("PRC") Enterprise Income Tax | | |
| — current period | **2,443** | 3,750 |
| — underprovision in prior year | **—** | 13 |
| Deferred tax | | |
| — current period *(Note)* | **176** | 4,802 |
| | **2,619** | 8,565 |

*Note:* Included in the deferred tax, RMB377,000 was credited (2008: RMB5,358,000 being charged) to the condensed consolidated statement of comprehensive income in respect of temporary difference associated with the undistributed earnings of subsidiaries.

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

Zhen'an Country Daqian Mining Development Co., Ltd., Weng Niu Te Qi San Xiang Mining Co., Ltd., Weng Niu Te Qi Xiang Da Mining Co., Ltd. and Chi Feng Yi Da Mining Co., Ltd. were subject to PRC Enterprise Income Tax at a rate of 25% (2008: 25%) during the six months ended 30th June, 2009.

Pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC, the Company's other PRC mining subsidiaries, except for those stated above, enjoy a preferential tax rate of 15%. In addition, these PRC mining subsidiaries are entitled to an exemption from PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% tax reduction in the three years thereafter. The first profit-making year of these PRC subsidiaries is 2007 except that the first profit-making year of Baoshan Feilong Nonferrous Mining Co., Ltd. ("Baoshan Feilong") is 2006. Accordingly, they were within the tax reduction period and subject to PRC Enterprise Income Tax at a rate of 7.5% during the six months ended 30th June, 2009.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 18% for the period ended 30th June, 2008 as it was qualified as an enterprise investing in public infrastructure projects in the PRC. It was subject to the 20% tax rate during the six months ended 30th June, 2009.

According to the Enterprise Income Tax Law ("Tax Law") of the PRC, the PRC subsidiaries situated in the western region of the PRC, which previously enjoyed fixed-term preferential enterprise income tax treatment in the form of tax reductions, will continue to enjoy the preferential tax rate of 15% until 2011, except that in the case of Baoshan Feiolong, it is 2010. Langfang Tongda, which previously enjoyed the preferential tax policies in the form of a reduced tax rate, is having a 5-year transition period to progressively increase its tax rate to the legally prescribed tax rate. Langfang Tongda was subject to the 20% tax rate from 1st January, 2009, and will be subject to 22% tax rate for the financial year 2010, 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012.

## 6. (LOSS) PROFIT FOR THE PERIOD

| | **Six months ended** | |
|---|---|---|
| | **30.6.2009** | 30.6.2008 |
| | ***RMB'000*** | *RMB'000* |
| (Loss) profit for the period has been arrived at after crediting (charging) the following items: | | |
| Cost of inventories sold (included amortisation of mining rights of RMB8,689,000; 2008: RMB11,896,000) | **(59,625)** | (53,039) |
| Depreciation of property, plant and equipment | **(11,654)** | (11,367) |
| Amortisation of other intangible assets (included in direct operating costs) | **(10,646)** | (9,281) |
| Share-based payments expense | **(2,558)** | (15,096) |
| Release of prepaid lease payments | **(114)** | (106) |
| Net foreign exchange gain | **1,222** | 25,757 |
| Gain on disposal of subsidiaries | **1,358** | — |
| Change in fair value of other financial asset designated as fair value through profit or loss | **454** | — |
| Gain (loss) on disposal of property, plant and equipment | **25** | (28) |
| Interest income | **71** | 285 |

## 7. DIVIDEND

No dividends were paid, declared or proposed during the reported period. The Directors do not recommend the payment of any interim dividend for both periods.

## 8. (LOSS) EARNINGS PER SHARE

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

| | Six months ended | |
|---|---|---|
| | **30.6.2009** | 30.6.2008 |
| | ***RMB'000*** | *RMB'000* |
| **(Loss) earnings** | | |
| (Loss) profit for the period attributable to owners of the Company | **(32,010)** | 32,494 |
| **Number of shares** | **Number** | **Number** |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | 325,569,333 | 314,171,002 |
| Effect of dilutive potential ordinary shares — share options | — | 1,236,042 |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | 325,569,333 | 315,407,044 |

The exercise of the Company's share options will result in a decrease in loss per share for the six months ended 30th June, 2009. Accordingly, the relevant diluted loss per share is not presented.

## 9. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an analysis of trade receivables by age, presented based on the invoice date.

| | **30.6.2009** | 31.12.2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–30 days | **4,506** | 7,940 |

## 10. TRADE AND OTHER PAYABLES

The following is an analysis of trade payables by age, presented based on the invoice date.

| | **30.6.2009** | 31.12.2008 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–60 days | **4,238** | 2,395 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

Turnover and gross operating profit of the Group for the six months ended 30th June, 2009 (the "Period") amounted to RMB86,140,000 and RMB8,343,000, representing a decrease of approximately 38.8% and 88.2%, respectively, over the same period of last period ended 30th June, 2008. The loss attributable to the equity holders of the Company for the Period was RMB32,010,000, compared with the profit attributable to shareholders of RMB32,494,000 of 2008 and basic loss per share amounted to RMB9.8 cents (corresponding period of last year: earnings per share of RMB10.3 cents).

### Interim Dividend

The Board does not recommend the payment of any interim dividend for the Period.

### Business Review

The Group is principally engaged in the mining as well as cleansing and processing of metal minerals (the "Mining Operations") and the operation of a toll road (the "Toll Road Operations").

### Mining Operations

During the Period, the Mining Operations realized an operating revenue of RMB58,295,000 (corresponding period of last year: RMB109,283,000) with a segment loss of RMB14,519,000 (corresponding period of last year: profit of RMB43,074,000).

The ores extracted during the Period amounted to 216,577 tons, representing a decrease of 36.8% over 342,579 tons in corresponding period of last year, with a unit mining cost of approximately RMB99 per ton (corresponding period of last year: RMB92 per ton) and a unit processing cost of approximately RMB77 per ton (corresponding period of last year: RMB101 per ton).

The Mining Operations included the processing of metal ore concentrates such as zinc ore concentrates of 3,468 metal tons (corresponding period of last year: 4,894 metal tons), lead ore concentrates of 1,664 metal tons (corresponding period of last year: 2,071 metal tons), silver of 1,175 kilograms (corresponding period of last year: 2,624 kilograms) and iron ore concentrates of 46,046 tons (corresponding period of last year: 61,543 tons). During the Period, the metal ore concentrates were sold at an average price of RMB5,883 per metal ton for zinc ore concentrates (corresponding period of last year: RMB9,743 per metal ton), RMB8,240 per metal ton for lead ore concentrates (with silver content) (corresponding period of last year: RMB19,575 per metal ton), and RMB251 per ton for iron ore concentrates (corresponding period of last year: RMB714 per ton).

Amidst the negative impact of the global financial turmoil that surfaced in the third quarter in 2008, the overall market prices of zinc, lead and iron ore concentrates were maintained at relatively low levels in the first half of 2009. As announced by the Company on 21st November, 2008, the Group has reduced or suspended the production at certain mining sites on a temporary basis as cost-control measures. For mining sites where outputs are of relatively higher quality and whose prices are sufficient to cover production costs, measures of temporary reduction in production were implemented, while for mining sites with smaller capacity and lower quality output, measures of temporary suspension in production were implemented (collectively the "Temporary Measures"). However, the exploration activities and technical innovation works of the above mines were still being carried out during the Period for the purpose of flourishing future business development. The lead and zinc mining site, the mining rights of which are held by Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), has rich material contents. The cleansing and processing costs are relatively lower. Since March 2009, Baoshan Feilong has resumed operation in normal scale and is generating a reasonable source of profit and cashflow to the Group. The iron and zinc mining site, the mining rights of which are held by Tengchong Ruitu Mining and Technology Company Limited ("Tengchong Ruitu"), has a relatively higher quality and rich material contents. The costs of cleansing and processing are relatively lower than those of other mining sites of the same nature in the market. Accordingly, Tengchong Ruitu continues to operate in a normal scale of production during the Period. Currently, the processing plant has an average ore daily processing capacity of 2,000 tones. As additional information, in relation to Changdong Mine at which the measure of temporary production suspension was implemented in or towards the end of the year ended 31st December, 2008, the company which holds its mining rights (namely Puer Feilong Mining Co., Ltd.), together with its intermediate holding companies (namely Merry Best Investments Limited and Yuelong (Puer) Limited) were disposed of to an independent third party during the Period for further cost-control purpose. Such disposal does not constitute a notifiable transaction under the Listing Rules. Completion of the said disposal took place on 18th March, 2009. Merry Best Investments Limited, Yuelong (Puer) Limited and Puer Feilong Mining Co., Ltd. have ceased to be subsidiaries of the Company and, accordingly, no activities have been carried out by the Group at Changdong Mine since then.

To maintain a recurring sales and cashflow to the Group, two strategic co-operation agreements with a term of 10 years were entered with Panzhihua Steel Group International Economic Trading Company Limited ("Panzhihua Steel Company") and Wugang Group Kunming Iron and Steel Company Limited ("Kunming Steel Company"), a subsidiary of Wuhan Iron and Steel (Group) Corp., details of which were included in the announcements of the Company dated 21st November, 2008 and 9th December, 2008, respectively. The said agreements with Panzhihua Steel Company and Kunming Steel Company continued to be in force during the Period.

**Toll Road Operations**

The Toll Road Operations recorded a net operating revenue of RMB27,845,000 (corresponding period of last year: RMB31,483,000) and a segment profit of RMB7,033,000 (corresponding period of last year: RMB11,541,000), respectively.

Wen An Section of the National Highway 106 in Hebei Province (the "Wen An Section") is located in Langfang, Hebei and is in the proximity to Beijing. It has a toll collection station at Wen An. Annual average daily traffic (AADT) reached 22,500 during the Period (corresponding period of last year: 18,850) while the operating revenue achieved RMB27,845,000, which represented a decrease of approximately 12.6% over RMB31,843,000. During the Period, certain impacts on our revenue have been created by the toll-free "Green Channel" developed by the Company in accordance with relevant regulations of the PRC. Steady vehicle flows and toll revenues were recorded and it is expected that the Toll Road Operations will continue to develop steadily in the future.

The Wen An Section has also implemented a computer-aided toll fee and control system to effectively uphold the standard of the toll road operations. No adjustment was made to the toll fee for the Wen An Section during the Period. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Period. However, no large-scale maintenance works have been carried out.

The effect of the global financial turmoil that surfaced in the third quarter in 2008 does not have material impact on the Toll Road Operations and such operations continue to provide stable recurring income and cashflow to the Group.

**PROSPECTS**

The Group has always sought to upgrade exploration and mining technologies by strengthening exploration efforts and improving mining methods, with a view to raising the production capacity of its existing mines as well as reducing its mining costs. To reduce cleansing and processing costs, the Group also endeavours to advance technology improvements, optimize production processes of processing plants and maximize grade and recovery of ore concentrates.

Tengchong Ruitu has commenced the production of the mine No. 10 as planned, thus providing a strong guarantee for a daily ores processing volume of 2,000 tons. With the entering of the long-term strategic co-operation agreements with Panzhihua Steel Company and Kunming Steel Company, the Group has assured itself of a steady cashflow and a reasonable level of profit.

Baoshan Feilong has made smooth progress in its exploration activities as planned, and fruits were reaped in exploration phases as expected. The processing plant has completed its technology improvements, and plays a catalytic part in improving grade and recovery of ore concentrates. In the second half of the year ending 31st December, 2009, Baoshan Feilong is expected to continue to operate in a normal scale of production under a tighter cost control measure.

Yaoan Feilong Mining Co., Ltd. ("Yaoan Feilong") is carrying out the mining activities of mine No. 8 on schedule, in order to supply ores required by the processing plant for its normal production. Notable results are achieved in optimizing production processes and technology improvements of the processing plant as expected, thereby bringing about improvements in grade and recovery of ore concentrates. In the second half of the year ending 31st December, 2009, Yaoan Feilong is expected to fully resume the normal scale of production.

Zhen'an County Daqian Mining Development Co., Ltd. in Shaanxi ("Daqian Mining") has expanded its exploration activities as planned by speeding up the construction of a new processing plant with a daily processing volume of 600 tons.

During the Period, the production of the mining project located in Wengniute Banner of Inner Mongolia ("Wengniute Banner Mining") has partially resumed, while the technology improvements of the processing plant have been stepped up.

Looking forward, in the second half of 2009, the environment for the mining business is expected to be improved when compared with the first half of the year. As market prices of non-ferrous metal have picked up, the Board plans to implement a number of strategies, including gradual resumption of the production of Wengniute Banner Mining with reinforced efforts, acceleration of the construction of the newly built processing plant of Daqian Mining, taking full advantage of favorable conditions of relatively low lead and zinc prices and consolidation of the peripheral mineral resources of the existing mining companies. The Company also introduces measures in attempt to reduce its gearing ratio. We believe the Group will benefit from a continuous robust growth of China's economy and an increasing buoyant demand for base metals, such as iron, lead and zinc, due to the unsustainable and non-renewable nature of mineral resources. With the adoption of the Temporary Measures, we are confident of the future business development of the Group. In 2009, on one hand, the Company's strategy is to realize its potential drilling capacity as well as to further enhance its production processes and technology improvements for achieving cost efficiency. On the other hand, the Group is making preparations for the acquisition of peripheral mining rights with high potential in appropriate time. At the same time, the Group may turn the prevailing market downturn into good opportunities for possible selective acquisition of mining projects with rich reserves, high quality, immense value-added potentials, quick cashflow returns, in order for the Company to further expand its scale of production, diversify into new profit streams and deliver higher returns to our shareholders.

**Liquidity and Financial Resources**

As at 30th June, 2009, the Group's current assets were RMB177,192,000 (31st December, 2008: RMB185,057,000), of which RMB97,397,000 (31st December, 2008: RMB128,856,000) were bank balances and cash on hand. As at 30th June, 2009, the net asset value of the Group amounted to RMB674,141,000, representing approximately 2.4% decrease as compared with RMB691,055,000 at 31st December, 2008. The gearing ratio (total liabilities/total assets) of the Group was approximately 58.9% (31st December, 2008: 58.3%). As at 30th June, 2009, the share capital of the Company was RMB33,122,000 (31st December, 2008: RMB33,122,000). The Company's reserve and minority interests were RMB518,329,000 (31st December, 2008: RMB530,928,000) and RMB122,690,000 (31st December, 2008: RMB127,005,000), respectively. As at 30th June, 2009, the Group had total current liabilities of RMB171,781,000 (31st December, 2008: RMB184,719,000), mainly comprising bank borrowing, the promissory notes, consideration payable for acquisition of subsidiaries and other payables. The total non-current liabilities of the Group amounted to RMB792,956,000 (31st December, 2008: RMB781,895,000), mainly including bank borrowing and such promissory notes having maturity over one year, as well as deferred tax liabilities.

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 RMB1,222,000 during the Period due to the appreciation of Renminbi.

## EMPLOYEE AND REMUNERATION POLICY

As at 30th June, 2009, the Group had a total of approximately 1,604 employees in Hong Kong and the PRC, engaged in management, administration, toll collection functions and mining. The management reviewed the remuneration policy regularly on the basis of performance and experience of the employees as well as the prevailing industry practice. Social insurance contributions were 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.

## REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

## THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Group has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period, except that the former Chairman of the Board was unable to attend the annual general meeting of the Company held in 2009 which deviates from code provision E.1.2, but one of the executive Directors of the Company was present to chair such meeting.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Period, 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 of the Company, in response to specific enquiries made by the Company, confirmed that they complied with the requirements set out in the Model Code throughout the Period.

## AUDIT COMMITTEE

The Company's audit committee currently comprises Mr. Cai Chuan Bing, Ms. Leung Mei Han (both being independent non-executive Directors) and Mr. Qi Guang Ya (being a non-executive Director). Its duties 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. The audit committee reviewed the accounting principles and practices adopted by the Group and these unaudited interim results, and discussed matters relating to audit, internal control and financial reporting with the management.

## REMUNERATION COMMITTEE

The Company has set up with written terms of reference a remuneration committee, whose members are currently Mr. Cui Shu Ming, Mr. Cai Chuan Bing (both being independent non-executive directors) and Mr. Dong Li Yong (being an executive director). Regular meetings were held by the committee, which reviewed and discussed on the related matters of the remuneration policy, remuneration levels and the remuneration of executive.

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

As at 30th June, 2009, except for the guarantees and charges in the amount of HK$360,000,000 provided to Industrial and Commercial Bank of China (Asia) Limited by the Group, the Company did not have any guarantees and charges nor any other material contingent liabilities.

## PUBLICATION OF THE INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's interim report for the six months ended 30th June, 2009 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.yueda.com.hk in due course.

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

| **Executive Directors** | **Non-executive Director** | **Independent non-executive Directors** |
|---|---|---|
| Dong Li Yong | Qi Guang Ya | Cai Chuan Bing |
| Liu Xiao Guang | | Leung Mei Han |
| | | Cui Shu Ming |
| | | Han Run Sheng |

By order of the Board
**Yue Da Mining Holdings Limited**
**Dong Li Yong**
*Acting Chairman*

Hong Kong, 22nd September, 2009