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, 2014

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Yue Da Mining Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30th June, 2014 (the "Period") together with the comparative figures for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

		Six months ended	
		30.6.2014	30.6.2013
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(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)

	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 owners of the Company			
— from continuing operation		**(14,380)**	(87,149)
— from discontinued operation		**9,247**	(2,812)
		(5,133)	(89,961)
(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		**146,717**	138,048
Prepaid lease payments		**9,604**	9,789
Mining rights		**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		**61,972**	55,930
Other receivables	12	**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	12	**112,846**	176,450
Amounts due from related companies		**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

	NOTE	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Current Liabilities			
Trade and other payables	13	**61,329**	66,093
Amounts due to related companies		**56,106**	92,230
Amounts due to directors		**299**	120
Taxation payable		**2,984**	7,743
Bank borrowings - due within one year		**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
Capital and Reserves			
Share capital		**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

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.

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.

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	30.6.2013
	RMB'000	*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.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	RMB'000	*RMB'000*
Continuing operation		
Fair value gain on contingent consideration *(Note)*	**—**	24,394
Adjustment on other receivables upon repayment	**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	**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. 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.

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	**—**	19,215
— mining rights	**—**	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

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**	—
Under provisions in prior years	**465**	560
Deferred tax		
— current period	**(8,722)**	(39,250)
	(3,258)	(28,021)

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 12)*	**(1,572)**	(2,184)

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	30.6.2013
	RMB'000	*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)
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 approximately 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 of discontinued operation.

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.

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 Six months ended		**Continuing operation 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.

12. 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	**49,218**	48,775
Deferred consideration receivable	**31,395**	41,395
Other receivables and prepayments	**28,590**	28,777
	112,846	176,450
Non-current		
Amount due from Disposal Group (as defined in Note)	**28,107**	45,641

Note: The "Disposal Group" is referred to Pleasure Resources Limited, Joyous Field Investments Limited and Joyful Well Investments Limited, which held the entire equity interest in Weng Niu Te Qi Xiang Da Mining Co., Ltd, Chi Feng Yi Da Mining Co., Ltd and Weng Niu Te Qi San Xiang Mining Co., Ltd.

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

13. TRADE AND OTHER PAYABLES

	30.6.2014	31.12.2013
	RMB'000	*RMB'000*
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	31.12.2013
	RMB'000	*RMB'000*
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

14. CONTINGENT LIABILITIES

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

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

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

(ii) availability of Specified Persons; and

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

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

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

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

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 this announcement, 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.

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").

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.

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	Turnover	Proportion of the Group	Gross Profit/ (Loss)	Proportion of the Group
			RMB'000	*(%)*	*RMB'000*	*(%)*
Baoshan Feilong	Lead ore concentrates	272 metric tons	15,083	22.46	454	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	40.52	3,805	472.08
Tong Ling Guan Hua	Gold	18.56 kilograms	24,866	37.02	(3,453)	(428.41)
Daqian Mining	*Production has been suspended*					
Yaoan Feilong	*Production has been suspended*					
Total			67,169	100	806	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.

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.

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.

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 US34 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.

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 ("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.

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.

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 14 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.

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.

PUBLICATION OF THE INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's interim report for the six months ended 30th June, 2014 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 Directors*	*Independent non-executive Directors*
Dong Li Yong	**Chen Yunhua**	**Leung Mei Han**
Liu Xiao Guang	**Qi Guang Ya**	**Cui Shu Ming**
Hu Huaimin		**Liu Yongping**

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

Hong Kong, 29th August, 2014