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## YUE DA MINING HOLDINGS LIMITED

### 悦達礦業控股有限公司

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

**(Stock Code: 629)**

## ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2010

### ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Yue Da Mining Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31st December, 2010 (the “Year”) together with the comparative figures for the previous year as follows:

#### Consolidated Statement of Comprehensive Income

*For the year ended 31st December, 2010*

	<i>NOTES</i>	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
Revenue	3	<b>350,816</b>	209,713
Cost of sales		<b>(181,375)</b>	(128,567)
Direct operating costs		<b>(40,378)</b>	(31,790)
Gross profit		<b>129,063</b>	49,356
Other income		<b>7,959</b>	12,553
Other gains and losses	5	<b>6,867</b>	(2,435)
Gain on bargain purchase of acquisition of subsidiaries		<b>13,405</b>	—
Administrative expenses		<b>(67,414)</b>	(67,704)
Finance costs		<b>(29,529)</b>	(32,055)
Other expenses		<b>(1,313)</b>	—
Profit (loss) before tax		<b>59,038</b>	(40,285)
Income tax expense	6	<b>(15,436)</b>	(6,895)
Profit (loss) and total comprehensive income (expense) for the year	7	<b>43,602</b>	(47,180)

		<b>2010</b>	2009
	<i>NOTES</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit (loss) and total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		<b>35,529</b>	(52,881)
— Non-controlling interests		<b>8,073</b>	5,701
		<b><u>43,602</u></b>	<u>(47,180)</u>
Earnings (loss) per share	9		
— Basic		<b><u>5.71 cents</u></b>	<u>(13.89) cents</u>
— Diluted		<b><u>5.65 cents</u></b>	<u>(13.89) cents</u>

## Consolidated Statement of Financial Position

At 31st December, 2010

	NOTES	2010 RMB'000	2009 RMB'000
<b>Non-current Assets</b>			
Property, plant and equipment		202,670	193,748
Prepaid lease payments		2,504	2,633
Mining rights		1,507,303	1,140,244
Goodwill		482	482
Other intangible assets		63,938	84,235
Long term deposits		7,455	2,848
Other financial asset		23,604	22,449
		<u>1,807,956</u>	<u>1,446,639</u>
<b>Current Assets</b>			
Prepaid lease payments		208	208
Inventories		32,957	18,184
Trade and other receivables	10	68,720	18,038
Amounts due from related companies		32,392	26,864
Bank balances and cash		253,741	34,481
		<u>388,018</u>	<u>97,775</u>
<b>Current Liabilities</b>			
Trade and other payables	11	49,885	25,542
Amounts due to a related company		25,996	—
Amounts due to Directors		344	352
Taxation payable		9,342	3,047
Promissory notes — due within one year		40,957	2,733
Bank borrowings — due within one year		250,262	61,460
		<u>376,786</u>	<u>93,134</u>
Net Current Assets		<u>11,232</u>	<u>4,641</u>
Total Assets Less Current Liabilities		<u><u>1,819,188</u></u>	<u><u>1,451,280</u></u>

	<i>NOTES</i>	2010 <i>RMB'000</i>	2009 <i>RMB'000</i>
Capital and Reserves			
Share capital		64,773	33,122
Reserves		<u>863,233</u>	<u>493,802</u>
Equity attributable to owners of the Company		<b>928,006</b>	526,924
Non-controlling interests		<u>271,745</u>	<u>126,184</u>
Total equity		<u>1,199,751</u>	<u>653,108</u>
Non-current Liabilities			
Other payables		22,106	21,970
Amounts due to a related company		—	60,155
Promissory notes — due after one year		54,668	68,820
Bank borrowings — due after one year		87,592	274,620
Consideration payable for acquisition of subsidiaries		55,984	69,121
Provisions		2,496	2,037
Deferred tax liabilities		364,315	267,880
Deferred income		<u>32,276</u>	<u>33,569</u>
		<u>619,437</u>	<u>798,172</u>
		<u><b>1,819,188</b></u>	<u>1,451,280</u>

# Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010

## 1. NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### New and revised Standards and Interpretations applied in the current year

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners
HK — Int 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

### HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1st January, 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

### Amendments to HKAS 32 Classification of Rights Issues

Amendments to HKAS 32 require that right issues, option or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights issues, option or warrants pro rata to all its existing owners of the same class of its own non-derivative equity instruments.

### Amendments to HKAS 17 Leases

The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

### HK — Int 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 “Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause” (“HK Int 5”) clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by The Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

## 3. REVENUE

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

	<b>2010</b> <b>RMB'000</b>	2009 <i>RMB'000</i>
Sale of zinc, lead, iron and copper ore concentrates and compound gold	<b>286,293</b>	154,116
Toll revenue	<b>64,523</b>	55,597
	<b>350,816</b>	209,713

## 4. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker for the purposes of resource allocation and performance assessment are as follows:

- exploration, mining and processing of zinc, lead, iron and gold (“Mining Operations”)
- management and operation of toll highway and bridge (“Toll Road Operations”)

## Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

*For the year ended 31st December, 2010*

	<b>Mining Operations RMB'000</b>	<b>Toll Road Operations RMB'000</b>	<b>Consolidated RMB'000</b>
REVENUE			
External sales	<u>286,293</u>	<u>64,523</u>	<u>350,816</u>
Segment profit	<u>61,484</u>	<u>14,721</u>	76,205
Other income			7,959
Other gains and losses			
— Net foreign exchange gains			5,730
— Gain from change in fair value of financial asset designated as at fair value through profit or loss ("FVTPL")			1,155
— Gain on bargain purchase of acquisition of subsidiaries			13,405
Central administration costs			(14,574)
Finance costs			(29,529)
Other expenses			(1,313)
Profit before tax			<u>59,038</u>

*For the year ended 31st December, 2009*

	<b>Mining Operations RMB'000</b>	<b>Toll Road Operations RMB'000</b>	<b>Consolidated RMB'000</b>
REVENUE			
External sales	<u>154,116</u>	<u>55,597</u>	<u>209,713</u>
Segment profit (loss)	<u>(16,770)</u>	<u>16,899</u>	129
Other income			12,553
Other gains and losses			
— Net foreign exchange gains			1,995
— Gain on disposal of subsidiaries			1,358
— Loss from change in fair value of financial asset designated as at FVTPL			(4,472)
Central administration costs			(19,793)
Finance costs			(32,055)
Loss before tax			<u>(40,285)</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit (loss) represents the profit (loss) resulted in each segment without allocation of other income, other gains and losses as described above, central administration costs, finance costs and other expenses. This is the measure reported to the executive directors of the Company for the purposes of resource allocation and performance assessment.

### Geographical information

All of external revenues of the Group in both years are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. More than 99% (2009: 98%) of the Group's non-current assets excluding other financial assets are located in the PRC.

## 5. OTHER GAINS AND LOSSES

	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange gains	<b>5,730</b>	1,995
Gain (loss) from change in fair value of financial asset designated as at FVTPL	<b>1,155</b>	(4,472)
Loss on disposal of property, plant and equipment	<b>(18)</b>	(1,316)
Gain on disposal of subsidiaries	—	1,358
	<b>6,867</b>	<b>(2,435)</b>

## 6. INCOME TAX EXPENSE

	<b>2010</b>	2009
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax		
— current year	<b>16,202</b>	5,559
— underprovision in prior years	<b>27</b>	203
	<b>16,229</b>	5,762
Deferred tax		
— current year	<b>(793)</b>	1,133
	<b>15,436</b>	<b>6,895</b>

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

Under the Law of PRC on Enterprise Income Tax (the "EIT" Law) and the Implementation Regulation of the EIT Law, the tax rate of Zhen'an County Daqian Mining Development Co., Ltd. ("Daqian Mining"), Weng Niu Te Qi San Xiang Mining Co., Ltd., Weng Niu Te Qi Xiang Da Mining Co., Ltd., Chi Feng Yi Da Mining Co., Ltd., Tong Ling Guan Hua Mining Company Limited ("Tong Ling Guan Hua") and Liangshan Prefecture Yuechuan Mining Co., Limited is 25% from 1st January, 2008 onwards.



Pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC, the Company's other PRC mining subsidiaries, Baoshan Feilong Nonferrous Metal Co., Ltd. ("Baoshan Feilong"), Yaoan Feilong Mining Co., Ltd. ("Yaoan") and Tengchong Ruitu Mining and Technology Company ("Tengchong Ruitu"), enjoy a preferential tax rate of 15%. In addition, these PRC 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 deduction in the three years thereafter. The first profit-making year of these PRC subsidiaries is 2007 except that the first profit-making year for Baoshan Feilong is 2006. Accordingly, they were all within the tax reduction period and subject to tax rate of 7.5% during the year ended 31st December, 2010. In accordance with the local practice in Yunnan province, the preferential tax rate will remain valid until 2011. As such, Baoshan Feilong will be subject to a preferential tax rate of 15% in 2011, Yaoan and Tengchong Ruitu which previously enjoyed the two year exemption and three years reduction at 50%, will continue until 2011 and subject to preferential tax rate of 7.5% in 2011.

Langfang Tongda Highway Co., Ltd. ("Langfang Tongda") was subject to PRC Enterprise Income Tax at a preferential rate of 22% for the year ended 31st December, 2010 as it fulfilled the requirement of 5-year transition policy due to the qualification as an enterprise investing in public infrastructure projects in the PRC. Langfang Tongda will be subject to 24% tax rate for the financial year 2011 and 25% tax rate for the financial year 2012.

## 7. PROFIT (LOSS) FOR THE YEAR

	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit (loss) for the year has been arrived at after charging:		
Cost of inventories sold	<b>181,375</b>	128,567
Employee benefit expense, including directors' remuneration and share-based payment expense	<b>59,467</b>	56,813
Amortisation of mining rights (included in cost of sales)	<b>36,090</b>	22,111
Depreciation of property, plant and equipment	<b>27,024</b>	23,589
Amortisation of other intangible assets (included in direct operating costs)	<b>20,297</b>	16,589
Release of prepaid lease payments	<b>129</b>	140
and after crediting:		
Net income arising on early repayment and extension of consideration payable for acquisition of subsidiaries	<b>4,007</b>	10,626
Interest income from bank deposits	<b>1,972</b>	114
Imputed interest income on deferred income	<b>1,293</b>	1,813
	<b><u>1,293</u></b>	<u>1,813</u>

## 8. DIVIDEND

No dividend was paid or proposed during the year ended 31st December, 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

## 9. EARNINGS (LOSS) PER SHARE

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

	<b>2010</b> <i>RMB'000</i>	2009 <i>RMB'000</i>
<b>Earnings (loss)</b>		
Profit (loss) for the year attributable to owners of the Company and profit (loss) for the purposes of basic and diluted earnings (loss) per share	<u>35,529</u>	<u>(52,881)</u>
	<b>2010</b>	2009 (restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<b>622,537,830</b>	380,769,670
Effect of dilutive potential ordinary shares — share options	<u>5,878,913</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u><b>628,416,743</b></u>	<u>380,769,670</u>

The weighted average number of ordinary shares for the purpose of basic earnings (loss) per share has been adjusted for the open offer on 4th March 2010.

The calculation of the diluted loss per share for the year ended 31st December, 2009 did not assume the exercise of the Company's outstanding share option as the exercise of the Company's share options will result a decrease in loss per share.

## 10. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers an average credit period of 60–90 days. The following is an aged analysis of trade receivables and bills receivables presented based on the invoice date at the end of the reporting period:

	Trade receivables		Bills receivables	
	2010	2009	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	<b>59,078</b>	6,156	—	—
60–90 days	—	—	<b>3,000</b>	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits. Credit sales are made to customers with a satisfactory trustworthy history. Credit limits attributed to customers are reviewed regularly. As at 31st December, 2010, the entire trade receivable balance was neither past due nor impaired and had no default record based on historical information.

## 11. TRADE AND OTHER PAYABLES

Included in the trade and other payables are trade payables of RMB5,597,000 (2009: RMB3,880,000). 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:

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
0–60 days	<b>5,597</b>	3,880
	<u>          </u>	<u>          </u>

## **FINANCIAL HIGHLIGHTS**

The Group recorded an operating revenue of RMB350,816,000 in the Year, representing an increase of approximately 67.28% over RMB209,713,000 in 2009. Gross operating profit amounted to RMB129,063,000, representing a increase of approximately 161.49% as compared to RMB49,356,000 in 2009. The nonferrous metal market started to improve from the third quarter of 2009 after the global financial turmoil that surfaced in the third quarter of 2008. The audited profit and total comprehensive income attributable to the owners of the Company for the Year amounted to RMB35,529,000, compared with the audited loss and total comprehensive expenses attributable to owners of the Company amounted to RMB52,881,000 for the year ended 31st December, 2009 and basic earnings per share amounted to RMB5.71 cents for the Year.

## **DIVIDENDS**

The Board did not recommend the payment of a final dividend for the Year.

## **BUSINESS REVIEW**

### **Overview**

The Group is principally engaged in Mining Operations and Toll Road Operations. During the Year, the Mining Operations realized an operating revenue of RMB286,293,000 with a segment profit of RMB61,484,000. The Toll Road Operations recorded a net operating revenue of RMB64,523,000 and a segment profit of RMB14,721,000.

### **Mining Operations**

During the Year, the Mining Operations recorded an operating revenue of RMB286,293,000 with a gross profit of RMB104,918,000 and gross profit margin of approximately 36.65%. The ores extracted during the Year amounted to 1,206,589 tons with a unit mining cost (including gold ores) of approximately RMB61 per ton (2009: RMB84 per ton) and a unit processing cost (including gold ores) of approximately RMB49 per ton (2009: RMB58 per ton). The Mining Operations included the processing of such metal ore concentrates as zinc ore concentrates of 7,112 metal tons, lead ore concentrates of 3,395 metal tons, silver of 4,362 kilograms, iron ore concentrates of 188,557 tons and gold of 141.572 kilograms. During the Year, the metal ore concentrates were sold at an average price (after tax) of RMB9,342 per metal ton for zinc ore concentrates, RMB14,253 per metal ton for lead ore concentrates (with silver content), RMB637 per ton for iron ore concentrates and RMB293 per gram of gold.

Tengchong Ruitu completed during the Year the project of upgrading the technology and enhancing the production capacity of its plant and its operations commenced as planned. The production of the mine No. 10 and 11 also commenced as planned, thus providing a strong guarantee for a daily ores processing volume of 2,000 tons. Baoshan Feilong has made smooth progress in its exploration activities as planned. The processing plant completed its technology improvements, and plays a catalytic part in improving grade and the extent of recovery of ore concentrates. From the second half of 2009, Baoshan Feilong resumed operation to a normal scale of production under tighter cost control measures. Yaoan is carrying out mining activities of mine No. 8 on schedule, in order to supply ores required by the processing plant

for its normal production. Notable results were achieved in optimizing production processes and technology improvements of the processing plant as expected, thereby bringing about improvements in grade and the extent of recovery of ore concentrates. In the second half of 2009, Yaoan also fully resumed the normal scale of production. Daqian Mining is expanding 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 Year, 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 were completed.

### **Toll Road Operations**

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 26,483 during the Year (2009: 19,982) while the operating revenue achieved RMB64,523,000, which represented an increase of approximately 16.05% over RMB55,597,000 in 2009. 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 Year. Regular maintenance and repair works were carried out on the Wen An Section to maintain the quality of the road during the Year. However, no large-scale maintenance works have been carried out.

### **Co-operation with Pingchuan Iron Mining Company**

On 20th May, 2010, 四川省鹽源縣平川鐵礦 Sichuan Province Yanyuan County Pingchuan Iron Mine (“Pingchuan Iron”) and Yue Da Pingchuan Limited (“Yue Da Pingchuan”), a wholly owned subsidiary of the Company, entered into a joint venture agreement in relation the formation of 涼山州悅川礦業有限責任公司 Liangshan Prefecture Yuechuan Mining Co., Limited (“Yuechuan JV”) in the PRC. On 2nd July, 2010, Pingchuan Iron and Yue Da Pingchuan entered into a supplemental joint venture agreement in relation to the development of Pingchuan Iron Reserve Mine (Lanzhichang lot), a mine situated at Yanyuan County, Sichuan Province, the PRC (“Pingchuan Iron Mine”) by Yuechuan JV. Yuechuan JV, a limited liability company, was formed on 8th July, 2010. The registered capital of Yuechuan JV is RMB100 million and the equity interest of which is owned as to 49% by Yue Da Pingchuan and 51% by Pingchuan Iron. Yue Da Pingchuan and Pingchuan Iron contributed RMB49 million and RMB51 million respectively to the registered capital of Yuechuan JV. The board of directors of Yuechuan JV consists of five directors of which two directors were nominated by Pingchuan Iron and three directors were nominated by Yue Da Pingchuan. As Yue Da Pingchuan has the right to appoint a majority of the board of directors of Yuechuan JV, Yuechuan JV is regarded as a non-wholly owned subsidiary of the Company. Yuechuan JV is expected to embark on the development of Pingchuan Iron Mine which includes, without limitation:

- (i) the exploitation, mining and processing of the reserves in Pingchuan Iron Mine which mainly comprise of iron;

- (ii) the acquisition, restructuring and/or investment in other iron mining enterprises in Yanyuan County, Sichuan Province, the PRC, targeted to be implemented towards the end of 2012;
- (iii) the in-depth exploration of other mining sites in Yanyuan County, Sichuan Province, the PRC, the reserves in which are mainly expected to be iron, copper and gold; and
- (iv) the cleansing and processing of copper of other mining sites in Yanyuan County, Sichuan Province, the PRC.

The production model at the Pingchuan Iron Mine, which is proposed to be further developed by Yuechuan JV, is currently planned on a preliminary scale of about 800,000 tonnes of ores to be produced annually when the Pingchuan Iron Mine reaches its production capacity, it is currently expected the infrastructure period for the development of the Pingchuan Iron Mine to reach the aforesaid annual production scale will take about three years and the preliminary amount of investment for the infrastructure period will not exceed HK\$250 million.

#### **Acquisition of gold mines in the PRC**

On 30th June, 2010, Yue Da Mining Limited (“YDM”), a wholly owned subsidiary of the Company, completed the acquisition of 100% interests in Absolute Apex Limited (“Absolute Apex”) at a consideration of HK\$259 million. The consideration, based on agreement, was satisfied by: (i) as to HK\$100 million by the issue of promissory notes by YDM; (ii) as to HK\$49.8 million by the Company’s allotment and issue of its 30,000,000 new shares at an issue price of HK\$1.66 per share on 30th June, 2010; and (iii) the remaining HK\$109.2 million by payment of cash. Absolute Apex indirectly owns 70% interests in Tong Ling Guan Hua which is the holder of mining rights of Tong Ling Guan Hua Mining Company Limited Qizichong Gold Mine (a gold and polymetallic mining site situated in Anhui Province, the PRC) and exploration licence of Anhui Tong Ling Liangshishan Iron (Gold) Mine (an iron mining site situated in Anhui Province, the PRC). It is expected that Tong Ling Guan Hua can provide significant revenue and cashflow to the Group in the future.

## **Open Offer**

An open offer (“Open Offer”) was implemented by the Company in early 2010. Under such Open Offer, 325,869,333 offer shares were offered by the Company to existing shareholders at the subscription price of HK\$1.2 per offer share on the basis of one offer share for every then existing share held on the record date on 10th February, 2010. The Open Offer exercise became unconditional on 4th March, 2010. The Company raised a net proceeds of approximately HK\$384 million and which has been applied or reserved for the following purpose:

- (i) approximately HK\$28 million for the repayment of promissory notes;
- (ii) approximately HK\$40 million for the repayment of the amount due to related company;
- (iii) approximately HK\$15 million for the repayment of the consideration payable for the acquisition of subsidiaries;
- (iv) approximately HK\$33 million as partial payment of the consideration for the acquisition of 100% interests in Absolute Apex Limited;
- (v) approximately HK\$95 million for the repayment of bank loans;
- (vi) approximately HK\$16 million to be used as general working capital;
- (vii) approximately HK\$57 million to be reserved for project(s) to be developed by Yuechuan JV; and
- (viii) approximately HK\$100 million for other potential investment(s) of the Group.

## **Prospect**

The Group has all along sought to enhance its exploration and mining activities by identifying suitable exploration and mining methods, improve and enhance 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 the completion of the project of upgrading technology and enhancing production capacity of the processing plant operated by Tengchong Ruitu, the commencement of production of mine No. 10 and 11 as planned, Baoshan Feilong having made smooth progress in its exploration activities as planned and the entering of the long-term strategic co-operation agreements with Zhuzhou Smelter Group Co., Limited, Yunnan Yuntong Zinc Alloy Company Limited, Panzihua Steel Group International Economic Trading Company Limited and Wugang Group Kunming Iron and Steel Company Limited, the Group has built a concrete foundation to have steady cash flow and reasonable level of profit. In addition, Daqian Mining has expanded its exploration activities as planned by accelerating the construction of a new processing plant with a daily processing volume of 600 tons in order to increase the exploration of mineral assets. Yaoan is taking further steps to accelerate the mining activities of mine No. 8 for increasing recovery. Tong Ling Guan Hua also has started to contribute both

revenue and profit to the Group. Meanwhile, the optimization of its operation flow is in progress. Looking forward, in 2011, the environment for the mining business is expected to be improved as compared to 2010. As market prices of non-ferrous metal have picked up, the Board plans to implement a number of strategies, including gradual restoration of the production of Wengniute Banner Mining with reinforced efforts, acceleration of the construction of the newly built processing plant of Daqian Mining and consolidation of the peripheral mineral resources of the existing mining companies. The Company also introduces measures in order to reduce its gearing ratio.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 1st June, 2011 to 9th June, 2011, both days inclusive, during which period no transfer of shares in the Company will be registered. In order to determine the identity of the shareholders of the Company who are entitled to attend and vote at the annual general meeting (the “AGM”) of the Company to be held on 9th June, 2011, all transfer of shares in the Company accompanied by the relevant share certificates must be lodged with the Company’s branch shares registrar in Hong Kong, Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 31st May, 2011.

Notice of the AGM will be published and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

## **FINANCIAL POSITION**

### **Liquidity and Financial Resources**

As at 31st December, 2010, the Group’s current assets were RMB388,018,000 (2009: RMB97,775,000), of which RMB253,741,000 (2009: RMB34,481,000) were bank balances and cash. As at 31st December, 2010, the net asset value of the Group amounted to RMB1,199,751,000, representing an increase of approximately 83.70% as compared to RMB653,108,000 in 2009. The gearing ratio (total liabilities/total assets) of the Group was approximately 45.37% (2009: 57.71%).

As at 31st December, 2010, the issued share capital of the Company was RMB64,773,000 (2009: RMB33,122,000). The Company’s reserve and minority interests were RMB863,233,000 (2009: RMB493,802,000) and RMB271,745,000 (2009: RMB126,184,000), respectively. As at 31st December, 2010, the Group had total current liabilities of RMB376,786,000 (2009: RMB93,134,000), mainly comprising bank borrowings, the promissory notes, taxation payable, amount due to related companies and trade and other payables. The total non-current liabilities of the Group amounted to RMB619,437,000 (2009: RMB798,172,000), mainly bank borrowings, consideration payable for acquisition of subsidiaries and 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 Year, most of the transactions were denominated and settled in Renminbi. The Group believes that its exposure to exchange rate risk is minimal.



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

As at 31st December, 2010, 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.

## **EMPLOYEE AND REMUNERATION POLICY**

As at 31st December, 2010, the Group had a total of approximately 1,320 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 practices. Social insurance contributions are made by the Group for its PRC employees in accordance with the relevant PRC regulations. Insurance and mandatory provident fund schemes are also maintained for its Hong Kong staff. During the Year, the Group provided various training courses on relevant business or skills for its management and staff at different levels. The Group did not experience any major difficulties in recruitment, nor did it experience any material loss in manpower or any material labour dispute.

## **REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

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

## **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 Year, except that (i) the Chairman of the Board was not able to attend the annual general meeting (the "2010 AGM") of the Company held on 26th May, 2010 (deviated from code provision E.1.2). However, one of the executive Directors of the Company attended and acted as the Chairman of the 2010 AGM; and (ii) due to administrative reasons, the notice of the 2010 AGM were not sent to shareholders at least 20 clear business days before the 2010 AGM (which deviates from code provision E.1.3). The Board will ensure that in future, notices of general meetings will be sent to shareholders of the Company before the minimum periods as prescribed in the Code on Corporate Governance Practices.

## **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 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 Year.

## **AUDIT COMMITTEE**

The Company's audit committee currently comprises Ms. Leung Mei Han (Chairman of the audit committee, an independent non-executive Director), Mr. Qi Guang Ya (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 24th March, 2011, the audit committee reviewed the accounting principles and practices adopted by the Group, the annual results of the Group for the Year, the 2010 audited annual financial statements and the continuing connected transactions carried out by the Group during the Year, and discussed matters relating to audit, internal control and financial reporting with the management.

## **REMUNERATION COMMITTEE**

The Company has set up with written terms of reference a remuneration committee, whose members are currently Mr. Cui Shu Ming (Chairman of the remuneration committee, an independent non-executive Director), Mr. Han Runsheng (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.

## **PUBLICATION OF THE 2010 ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE**

The Company's annual report for the Year will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company's website at [www.yueda.com.hk](http://www.yueda.com.hk) in due course.

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

Hong Kong, 24th March, 2011

*As at the date of this announcement, the Board comprises the following members: (a) as executive Directors, Mr. Dong Li Yong and Mr. Liu Xiaoguang; (b) as non-executive Directors, Mr. Chen Yunhua and Mr. Qi Guang Ya; and (c) as independent non-executive Directors, Ms. Leung Mei Han, Mr. Cui Shu Ming, Mr. Han Run Sheng and Dr. Liu Yongping.*